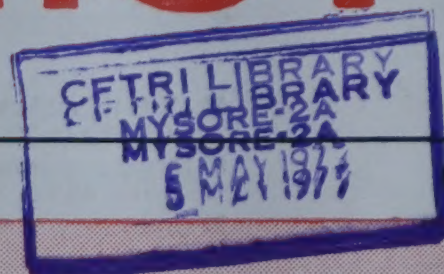


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APRIL 22, 1977



No. 16



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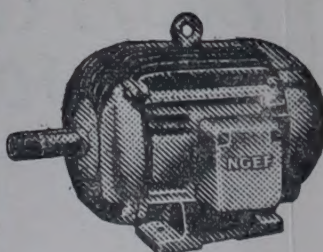
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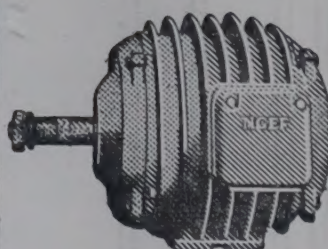
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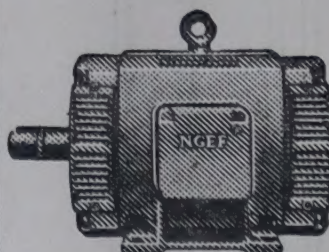
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Loom Motor



Vertical Hollow Shaft Motor



Screen Protected Motor

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A whisk for the wasps

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WHEN MR Y.B. Chavan, sermonising from his party's trough of despond, called for "broad national reconciliation", he was clearly imagining that he was not merely making a high-sounding noise, but uttering a profound truth. He is probably disillusioned now. Criticism of his sophistry has been justly unsparing. It has been pointed out that the "aberrations" of the emergency—he used this word as an outrageous euphemism for the horrors and atrocities perpetrated on a mass scale through the machinery of government or under the umbrella of his party—are not flies to be swatted. Nevertheless the last laugh may yet be with the Congress leaders. History is far too familiar with criminals in high places getting away with murder—and history, it seems, is about to repeat itself in this trampled and tormented land.

On April 8, the Home minister announced the government's decision to set up a commission of inquiry, headed by an eminent judge, to look into all complaints of "excesses, malpractices and abuse of authority" during the emergency and related matters. This pronouncement has been swallowed with surprising ease by a large section of the public as an earnest of the government's commitment to punish the guilty who, in the words of Mr Charan Singh, "had unleashed untold repression and terror on the nation". This gullibility is very disturbing, indeed. Quite clearly, the Home minister's statement has skirted round the issue instead of coming to grips with it. The government expects people with specific complaints to take them to the commission and its hope, apparently, is that the commission's report will help to expose the abuse of political or governmental power by a handful of unscrupulous individuals. Mr Charan Singh said less than nothing about the government initiating legal proceedings immediately against those about whose complicity in crimes or offences involving violations of the law evidence may already be available in state papers, official files or other documents. Unless the government's contention is that the criminals had been covering their traces completely all along or had destroyed all incriminating documents during the change-over in New Delhi, it is difficult to see why the law is not being set in motion here and now to bring before the courts at least those who were functioning at the highest level of political authority and were therefore primarily responsible for the crimes of the emergency.

Let a roving commission by all means collect, analyse and document the working of the emergency for the education of the present generation or the entertainment of future generations. But, let there be no pretence that nothing can be done to take to the courts those for the prosecution of whom sufficient grounds may exist according to the evidence already available with the government, until a commission of inquiry has gone to work and produced at least interim reports. More important still, let there be no pretence at all that once a commission has finished its labours, the punishment of the guilty must follow as night follows day. It is only too often the case that politicians or officials arraigned before commissions of inquiry or found guilty or otherwise accountable by them manage to survive and steal back into public life or administration merely because public memory is short or the capacity of a whole people to persevere in sustained rage against wrong-doers is necessarily of limited duration. This would be particularly true of crimes or offences of a "macro-economic" or "macro-political" nature.

If the government has no intention of committing a fraud on the *janata*, which has been the most innocent victim and the worst sufferer at the hands of the politicians and officials who master-minded the emergency and its works, it must set about the business of identifying and prosecuting the criminals in a more business-like manner and with a greater sense of its responsibility to a trusting electorate and an expectant public. It should make full use of its own investigative machinery to procure, collate and present evidence to its law officers for their advice on taking the suspects to court and, if necessary, it may set up special tribunals either under the ordinary law of the

land or through legislation enacted for the purpose. Time is always an essential element in ensuring that justice is done and is seen to be done.

There are also important political aspects to the imperative of effective and speedy prosecution. It is now on record that the emergency was declared without benefit of discussion or decision by the Council of Ministers. In other words, Mrs Gandhi took the wholly unconstitutional step of procuring the signature of the then president to the proclamation by abusing her position as prime minister. By collaborating with and conniving at her move, he was also acting equally unconstitutionally and in violation of his oath of office. Yet, an attempt has been made with some success in presenting the late president as a martyr, although, factually, he was a stooge. If this attempt is not countered by bringing on record the outrageous illegality of the proclamation of the emergency, his successors to the high office of head of state may not feel sufficiently encouraged to be careful of similar derelictions. The presidency may be ornamental, in which case the public has the right to demand that it should not become a dangerous toy.

equivocal defence

More seriously still, Mrs Gandhi is publicly unrepentant of her action in effecting a proclamation of the emergency without the cabinet taking a decision as stipulated in the Constitution. She has not hesitated to enter a defence replete with equivocations. She was wrong on facts when she claimed that, on an earlier occasion, an important decision to devalue the rupee had after all been taken by her government without the subject being brought before the Council of Ministers. The proposal to devalue processed at other levels of government became a decision only after it was put to the cabinet and was approved by it. Moreover, there are well-understood conventions in parliamentary government which permit of decisions such as those relating to changes in the par value of the currency or the fiscal or monetary measures of the government being kept secret and confidential up to the point of public disclosure. The reasons are obvious and are implicit in the

public interest. But, even such decisions do require to be validated by the approval of the cabinet just before the zero hour. In any case, what must frighten us is the off-hand manner in which Mrs Gandhi has equated a step such as devaluation of the currency with an arbitrary exercise of power, subverting the basic governmental system of the country for personal ends. This inkling of the mind of a natural-born authoritarian must teach us its own unforgettable lesson.

If there is a clearer case of the abuse of power than this, it is the gross interference with the Constitution in the name of amending it during the period of the emergency. A couple of captive presiding officers no doubt upheld the validity of this extraordinary law-making carried through a parliament from which many of the ruling party's political opponents had been forcibly kept away through detention under laws which were themselves of questionable legality. This, however, has not come in the way of the present leader of the opposition in the Lok Sabha swearing by the notorious 42nd amendment which he apparently regards as a blessing of the emergency and not as an aberration. As if to put its seal on its commitment to this and similar other "gains" of the emergency, the Congress working committee has chosen Mr Swaran Singh, the midwife of the "unconstitutional" reforms, as its provisional president for bringing about the party's reconciliation with the

idea of Mrs Gandhi's renewed leadership, if not to assist in "the broad national reconciliation" which Mr Chavan is so keen on selling to a violated public still nursing its wounds.

True to the dominant wisdom in the higher echelons of the party that Mrs Gandhi, in spite of everything, is the only realistic rallying point for its broken fortunes, the Congress working committee has refrained from putting her errant son in the dock, although it was open to it to ignore his tactical resignation from the AICC and proceed to take disciplinary action against him as it has done against two other malefactors, viz, Mr Bansi Lal, who has been expelled from the primary membership of the party for six years and Mr V.C. Shukla, who has been prescribed a "reprimand". Although Mr Shukla has escaped lightly and Mr Om Mehta altogether, the Congress working committee is to be complimented on not waiting for a commission to produce evidence against Mr Bansi Lal or Mr V.C. Shukla. The government surely ought to take its cue. If their own colleagues in the party are satisfied with the evidence that Mr Bansi Lal and Mr V.C. Shukla are guilty of misuse of power, can it be seriously contended that the government does not have reasonable grounds in the form of official documents available to it for setting the law in motion? It is just not possible that they could have made questionable use of their official

Eastern Economist 30 Years Ago

APRIL 25, 1947

Compensation to present landholders for acquisition of their property rights in lands is to be paid on a graded scale. Cash disbursements will be made in case the amount payable is less than a thousand rupees. In other cases the government will pay at its option cash or bonds of guaranteed face value at maturity carrying interest of less than three per cent per annum. Compensation will be calculated on the basis of net profit according to the nature and circumstances of each interest, for which purpose the government intends to set up a special machinery. While the government has

decided in principle to acquire the interests of all classes of rent receivers as well as all interests in hats, bazaars, forests, jungles, water courses, marshy tracts, etc, in actual execution it purposes to take over only the surplus cultivable land held by proprietors, tenure holders and raiyats in excess of certain prescribed standards and distribute the land thus acquired among petty cultivators, landless labourers and bargadars so as to provide them with economic holdings. This opens up an enormous field for political patronage and corruption, which is likely to give a cause for misgiving.

positions or authority in an organised manner over a period of some 20 months for their political or personal ends without leaving incriminating evidence. Why, then, should the government hesitate to

assume the legitimate and even obligatory role of prosecutor? Why, indeed, a commission of inquiry before any action is taken at all? A whisk to waft away the wasps and not even a fly-swatter?

Stitch in time

ONE OF the reasons why some of our established industries are sliding into the sick list is that, over a period of years, they have failed to generate or retain sufficient internal resources for modernisation and expansion. Quite often, a combination of unduly restrictive commodity controls, unrealistic pricing policies and misconceived fiscal levies has not only discouraged new investment but positively encouraged hand-to-mouth attitudes on the part of business managements leading to progressive obsolescence of plant and equipment. Since this process cannot be allowed to go on indefinitely and since, sooner or later, the public interest has to be safeguarded wherever it is threatened by the decadence or decay of important industries, the government has found itself called upon to undertake or assist expensive rehabilitation operations for maintaining employment or the production of essential goods.

national waste

Since our economic history for the last 10 years is replete with such instances of national waste, it would be inexcusable, indeed, if those concerned, whether in business or in government, were to continue to let such lapses recur. On industry's representatives rests the primary responsibility to anticipate problems or difficulties of this kind and, where need arises, to press on the attention of the government appropriate proposals for warding off adverse developments, or initiating corrective action. Such efforts, however, can bear fruit only if the government, for its part, is prepared to look at industry's suggestions constructively and respond to them in a prompt and positive manner. Otherwise, as has happened with cotton textiles, jute, sugar and some other industries, one crisis will follow another until the affected industries run

up enormous bills, ultimately at the cost of the public, for delayed rehabilitation.

From this point of view, the woollen industry deserves credit for placing before the government its requirements for orderly progress. Here is an industry with substantial scope for expansion clearly indicated by a growing home market and developing export opportunities. This scope was assessed by a Task Force of the Planning Commission in 1972 on the basis of certain demand projections and, although the progress of the industry since then has not been unsatisfactory, it has now become clear that a special effort will have to be made if its performance is not to lag behind domestic and export needs in the coming years.

modernisation of equipment

The bulk of the existing plant and machinery, for instance, has to be replaced by more modern equipment consistent with the quality and productivity norms for the industry as accepted the world over. Of most of the mills set up around 1950, about 75 per cent were equipped with reconditioned machinery bought second hand. Moreover, during the last 25 years, not more than 25 per cent of the capacity has been replaced. The Planning Commission had accepted the estimates of the Task Force, which had suggested that the industry would have to invest about Rs 43 crores in the modernisation of machinery and another Rs 70 crores on expansion of capacity. Both operations have since become financially much more burdensome due to the escalation in the prices of capital goods. In the case of the woollen industry, there is the further complication that the machinery has to be imported from abroad. The cost of this machinery necessarily reflects the effects

of the inflation rates in the manufacturing countries. According to current estimates, the programme for modernising and expanding the industry may involve an investment of up to Rs 250 crores on both counts.

An outlay of this order seems to be beyond the unassisted capacity of this industry. Its profitability is notoriously vulnerable to fluctuations in the world market prices of raw wool as well as sharp swings in the domestic demand for its manufactures, especially in the higher-priced ranges. Additionally, this industry, in common with many others in our country, has had to cope with pyramidal structures of import duties and excise taxes weighing heavily on all stages of manufacture. As a result, for every 100 kg of fabric, all-wool or mixed, produced by the industry, an amount between Rs 30,000 and Rs 40,000, on an average, is stated to be blocked on account of the incidence of duty at various points of production, starting with the procurement of raw materials.

In its memorandum to the Indirect Taxation Enquiry Committee, the industry has given the following details of the incidence of taxation:

	Total incidence of duty per kg—Rs
Fabrics—All-wool 64s	85.62
55% polyester+45% wool blended	94.52
Handknitting yarn—all- wool 64s	58.48
Cashmilon acrylic	73.22

These tax burdens are disproportionately heavy in relation to costs of production as well as prices of finished goods. They need to be substantially reduced if the industry is to summon the willingness and show the ability for undertaking large investments on modernisation and expansion. To start with, the present import duty of 40 per cent on imported machinery is clearly onerous since it is essentially a heavy-handed revenue-raising measure, there being no indigenous manufacture to be protected. There is a good case for permitting duty-free import of machinery for recognised schemes of

modernisation of plant or expansion of capacity.

Simultaneously, the investment allowance of 25 per cent allowed to specified industries as a cushion against the burdensome nature of heavy capital outlays on plant and machinery could be extended to the woollen industry. There is, in fact, a feeling in business circles that the scheme is not serving its purpose as well as it should since its intentions are being grudgingly interpreted and its provisions applied or administered even more grudgingly. So long as the government chooses to rely on this scheme for facilitating modernisation and expansion of plant in important industries, particularly those with problems of obsolescence, it should add to its meaning by extending its coverage of industries and give it a new look by liberally interpreting eligibility for its benefits.

high import duties

The woollen industry has the unenviable distinction of bearing high rates of import duty on its raw materials—45 per cent on raw wool and 120 per cent on synthetic fibres used by it in the manufacture of blended fabrics. The implication of these rates, evidently, is that woollen fabrics are a luxury—a supposition at odds with the genuine need of the people for warm clothing for the winter months in the northern parts of the country. These heavy levies are also contrary to the objective of a viable and competitive export capacity for the industry taking into account changing patterns of trade between developing countries on the one hand and industrialised countries with high wage-structures on the other. It is in the fitness of things that every levy on a raw material for industry should be treated as "suspect" until its relevance to the public interest is clearly established.

Claimants for central excise duty relief are undoubtedly numerous. But this should be no provocation for the Finance minister to treat their requests as so many special pleadings. Given the haphazard and almost mindless manner in which central excise taxation has been piling up over a period, the least that any fiscal policy attempting to be enlightened would do is to consider each claim seriously and respond to it as its merits demand.

The Jha Committee's labours are relevant to this context, but the exercise of judgment in the Finance ministry in terms of the forthcoming budget is an immediate necessity. As in several other industries, a many-tiered, high-rise structure of duties has encouraged evasion in the woollen industry and the simplification of the duty scheme may itself pay for most of the tax reliefs by improving assess-

ment and collection as well as by broadening the production base in which lies the revenue potential of the industry.

Finally, the government could afford to assist liberally the financial needs, including the foreign exchange requirements, of the woollen industry since its export earning, now around Rs 90 crores, could be stepped up to Rs 150 crores in the coming years.

Food policy takes shape

THE REMOVAL of restrictions on interstate movement and the raising of the support price from Rs 105 to Rs 110 per quintal are the main elements of the latest price policy for wheat. While the trading community in the country has welcomed these decisions, the chief ministers of two states with Congress governments—Punjab and Maharashtra—have lost no time in describing the increase in price as disappointing; they have argued that the revised price is not remunerative enough for the farmer.

Analysing the cost of production of wheat in Punjab and other states, the Agricultural Prices Commission had recommended that the procurement price of wheat should remain unchanged at Rs 105 per quintal. The increase granted by the government therefore could at best be described as a controlled political response to the farmers' lobbies in the principal producing states. During the hectic activities of the election, some Akali candidates for Parliament might have promised the farmers of Punjab a procurement price of Rs 150 per quintal but surely Mr Prakash Singh Badal, the Agriculture and Irrigation minister who belongs to the Akali party, could not honour this promise without aggravating inflationary pressures or saddling the central government with an intolerably heavy burden of subsidy on food distribution.

The central government is already holding stocks of nearly 18 million tonnes of foodgrains, mostly of wheat. It is not keen on adding to these stocks for two reasons. First, stocks are already overflowing the warehousing capacity available

to the Food Corporation of India. Second, further large procurement would involve the locking up of scarce funds in wheat purchases. While the government does not want to shirk its responsibility for maintaining remunerative prices for farmers when output exceeds expectations, it desires that farmers should generally seek to realise better prices through the normal trade channels if the market could bear it. Herein lies the importance of distinguishing between the procurement price fixed in the last season and the support price fixed by the government during the current season.

inter-state movement

To help the farmer in realising a price higher than the support price, the government has removed the curbs on interstate movements. The urban centres where prices of wheat in the free market are significantly higher than prices at the official distribution centres could absorb a part of the produce thus allowing the farmer to realise a price higher than the support price. For instance, the price of average variety of wheat in Delhi after the pronouncement of the new policy has been around Rs 135 per quintal. Taking into account the transport cost when wheat is brought from Punjab or Haryana as well as the middleman's profit, the farmer should be able to get more than Rs 110 per quintal. In case prices drop, the government could move in to support the purchase of the surplus available in the market. If however prices of wheat rise in some areas, the government could meet the require-

ments of the people there through its distribution outlets at prices which have prevailed hitherto. Thus the new wheat policy is realistic in the sense that it does try to sort out the conflicting interests of the parties involved in the most equitable manner.

In view of the change in policy, the government has rightly fixed no state-wise procurement targets for wheat. The level of procurement in each state will depend upon the state of the crop and the share which is moved out to the deficit areas. This also does away with the bonus scheme which has hitherto been a burden on the central exchequer. The explanatory memorandum on the interim budget of the central government for 1977-78 states that "the pooled distribution cost for all foodgrains is now estimated around Rs 15.51 per quintal". The details of expenditure are:

	Cost per quintal of sales—Rs
Transit loss	1.31
Storage loss	0.14
Freight	5.65
Handling charges	1.04
Godown charges	0.61
Interest charges	4.68
Administration overhead (excluding storage)	2.09
Total	15.51

The carrying cost of buffer stocks is estimated at Rs 22 per quintal. The memorandum anticipates offtake from the central pool during 1977-78 at about 9.56 million tonnes. Provision had been made for a subsidy of Rs 460 crores to the Food Corporation of India (FCI) in the budget estimates.

revised estimates

In view of the change in wheat policy, these estimates would need to be revised. The procurement of wheat may be far less than what was estimated by the previous government. If the procurement of wheat during the current season remains around three million tonnes as against five million tonnes under the old policy, the government would be spared the bur-

den of subsidy as well as the carrying cost on two million tonnes which might result in a substantial saving.

The time has come for the new government to chalk out a clearly thought-out policy in regard to the stockpile of foodgrains. Currently, an outlay of about Rs 2,000 crores is involved and with the new arrivals of wheat in the market it may soon jump up to Rs 2,500—3,000 crores. Is it necessary to maintain official stocks of the order of 20 million tonnes? A historical study of output and imports of foodgrains might be of some help. The worst drought of 1966 and 1967 had forced this country to import as much as 19 million tonnes. In no two other consecutive years had this country been oblig-

ed to import similar quantities of foodgrains. In view of these facts, it may be prudent to fix a ceiling to the stockpile at around its present level of 18 million tonnes and not allow it to grow further. The carrying cost of the buffer stocks which, as stated earlier, is at present around Rs 22 per quintal should also be brought down. An attempt needs to be made to reduce the subsidy to the FCI by scrutinising the elements of expenditure involved in maintaining the stocks. Incidentally, the budget for 1976-77 has provided for a subsidy of Rs 300 crores only to the FCI but the revised estimates indicate its escalation to Rs 506 crores. Scrutiny of this sharp rise in the grant to the FCI seems indicated.

Monkeying with groundnut

THE WELCOME break in the price of groundnut oil from Rs 9,500 to Rs 7,800 per tonne, which occurred during the four weeks ending March 19, has proved to be short-lived and the price has bounced back to Rs 8,900. This suggests that notwithstanding the efforts which are being made to contain oil or oilseed prices, the situation does not brook complacency.

Various factors contributed to the downward trend in the price during the four weeks to March 19. These included resumption of exports from the major groundnut oil producing state, namely Gujarat, to the other parts of the country under the revised policy of the state government, the vastly liberalised imports of edible oils for use by vanaspati manufacturers, significant imports of tallow for the production of soap in the large-scale sector and the advent of the new crop mustard oil in the market. The sentiment was also affected to some extent by curtailment of the exports of both edible and non-edible oils.

Groundnut oil exports from Gujarat to the other parts of the country were resumed in early February after the state government revised its earlier restrictive policy to contain the price within the

state. The salient features of the revised policy were:

(i) the state government would collect a levy of 30 per cent from producers of groundnut oil at Rs 70 per tin of 16 kgs. net (against Rs 66 a tin earlier) for creating a buffer stock of about 80,000 tonnes for distribution through fair price shops to the weaker sections of society (earlier this percentage was 16);

(ii) oil millers would be allowed to sell 40 per cent of their output in Gujarat at market prices instead of adhering to the ceiling of Rs 74 per tin, which was abrogated in the revised policy; and

(iii) the reminder 30 per cent output could be exported by millers at competitive prices to the rest of the country, instead of the state government engaging itself in exports as was decided earlier.

This policy narrowed down the difference between the price in Gujarat and elsewhere in the country, providing relief to the consumers in importing states and benefitting the producers in Gujarat.

The vastly liberalised imports of edible oils for use in vanaspati manufacture enabled the government to revise the formula governing production of this cooking medium. Under the revised formula, although the use of groundnut oil was

not banned in the manufacture of vanaspati and this oil could be used up to 25 per cent of the raw material requirements, this use was to be insignificant. The formula stipulated that vanaspati manufacturers had to use 75 per cent of imported oils (soyabean and palm oils), 15 per cent cottonseed oil and 10 per cent refined oils—five per cent til oil and five per cent sunflower oil. Groundnut oil, thus, was by and large made available for direct consumption.

import plans

Imports of edible oils were stepped up markedly in January. Already the State Trading Corporation is stated to have contracted during the current oil season, starting from November 1, 1976, nearly 368,000 tonnes, against just a small quantity in the corresponding period of the last oil season. Most of these imports have been arranged since January. Besides, soyabean and cottonseed oil imports to the extent of 50,000 tonnes are being effected under PL 480 from the United States of America in terms of an agreement signed in January and rapeseed imports from Canada under a special grant of that country. About 10,000 tonnes of groundnut oil are also expected to be imported from the Sudan under an unfulfilled previous contract. Further, imports of all edible oils of the order of 200,000 tonnes have been allowed under the open general licence, out of which contracts had been entered into to the extent of 45,000 tonnes till about a fortnight ago. In all, imports of the order of slightly over 600,000 tonnes are expected to be made this year. Imports of a higher order are not ruled out, if considered necessary.

Imports of tallow for soap manufacture have already been effected by the STC to the extent of 30,000 tonnes. Contrary to the practice of last year of not providing any tallow for the production of soap in the large-scale sector, this raw material is now being made available to this sector as well to reduce the pressure on the oils market. Orders are stated to have been placed on foreign suppliers for another 15,000 tonnes.

The above steps surely should have stabilised the price of groundnut oil in

particular and those of other edible oils in general at levels well within the reach of the common man and around the average prices last year. The reversal of the downtrend in prices since the terminal week of March and the accentuation of the resumed uptrend early this month have belied this expectation.

The latest upward trend in the prices of edible oils is primarily attributed to two factors—the abatement of selling pressure with the approach of the lean season for oilseeds and the firming up of the international oils market in the past about one month. The price of crude rapeseed oil in the world market has shot up during this period from \$580 to \$720 per tonne and that of the refined variety from \$650 to \$800 a tonne. The price of crude soyabean oil has gone up from \$600 to \$725 per tonne and of palm oil from \$680 to \$825 a tonne. This has given rise to the feeling that future imports of edible oils will have to be at much higher prices than those which the STC and others have paid for the imports already arranged.

Private importers perhaps are taking advantage of the situation, although the former STC chairman, Mr Vinod Parekh, announced on the eve of relinquishing his charge that the STC would be able to maintain its issue prices of imported oils to the vanaspati industry

at the current levels for the period at least till the end of June. This was because the stocks with the STC and the imports already arranged by it would suffice at the rate of a release of about 58,000 tonnes during this period. The imports arranged this month and those contemplated in the near future which would cost slightly more, would be available to vanaspati manufacturers only later. The STC, however, is confident that there would not be any shortage of edible oils this year and sufficient imports would be effected to augment domestic production, thanks to the comfortable foreign exchange position.

The current situation on the groundnut oil front, of course, would not have arisen had the governmental action at imports of edible oils for vanaspati manufacture been prompt. The vacillation on the part of the government to decide about imports, which was so evident about this time last year when disconcerting trends appeared in the market despite a bumper groundnut crop (approximately seven million tonnes) and a near-normal rapeseed crop in 1975-76, persisted right up to the end of December last. The situation that developed last year was the direct outcome of the complacency of the government in allowing the price of groundnut oil to fall to such an unremunerative level as Rs 3,800 per tonne, as against about Rs 6,000 a tonne

TABLE I
Acreage, Production and Yields of Edible Oilseeds

Year	Groundnut			Five major oilseeds		
	Area (000 hectares)	Production (000 tonnes)	Yield (kg/hectares)	Area (000 hectares)	Production (000 tonnes)	Yield (kg/hectare)
1960-61	6477	4697	725	13758	6903	502
1965-66	7700	4262	554	15245	6420	421
1970-71	7330	6108	833	15418	9258	600
1971-72	7515	6178	822	16036	8744	545
1972-73	6993	4091	585	14750	6857	465
1973-74	6900	5798	840	15091	8683	575
1974-75	7063	5111	724	15638	8229	526
1975-76	7376	6991	950	15457	10173	658

(average) a year earlier, which not only pushed up the direct consumption of groundnut oil but also led to its indiscriminate use in vanaspati manufacture for about five months after the 1975 main crop. With imports of both edible oils and tallow curtailed drastically, the supplies in the market started dwindling fast by about this time last year despite the bumper crop.

Even when the government realised the gravity of the situation, it failed to act promptly and, except for allowing slightly liberal imports for the immediate amelioration of the situation, it kept on discussing for a considerable time the need for having a national plan for oilseeds. It even became complacent about imports with the approach of the last groundnut crop, which, it was felt, would turn out to be again bumper, even though the trade circles believed that the unremunerative level to which the price of groundnut oil had been allowed to fall early last year would undoubtedly have an adverse effect on the acreage under groundnuts. The last crop prospects were soon revised downwards—to less than six million tonnes, as against about seven million tonnes in 1975-76—but precious time in the meanwhile was lost for arranging imports.

too little, too late

Large-scale imports of edible oils were authorised only in January, whereas even as a precautionary measure and to build up some buffer stock, which was so much talked about in the middle of last year, they ought to have been allowed much earlier. Then, there was some delay also in arranging shipments of the contracted imports which accentuated the uptrend in the price of groundnut oil after a very short spell of seasonal downtrend. The seasonal downtrend was cut short by the anxiety of the surplus producing states to curb exports to the other parts of the country in order to contain prices in their jurisdiction.

The above analysis reiterates that there is urgent need for drawing up a long-range strategy for tackling the problem of edible oils. An important prong of this policy has to be the building up of a buffer stock of about 200,000 tonnes. Imports of edible oils have to be adjusted

expeditiously in the light of the domestic production prospects which ought to be assessed realistically much quicker than the present means of assessment allow. These means need to be rationalised.

The developmental work in the production of oilseeds in the country has also to be augmented a great deal. There can be no denying the fact that the growth in

the yields as well as the acreage under oilseeds have left much to be desired. This is evident from Table I which shows that in the current decade, the only two good years for oilseeds production have been 1970-71 and 1975-76. The progress in the other years has been uneven.

Table II depicts the behaviour of the prices of groundnut, rapeseed and all

TABLE II
Index Numbers of Wholesale Prices—Groundnut Oil, Rapeseed Oil and all Edible Oils Together

Average of months/ Average of weeks ended Saturday/week ended Saturday	Groundnut oil	Rapeseed oil	All edible oils
	(Base 1961-62 = 100)		
1965-66	145	162	169.9
1969-70	216	207	220.4
1970-71	231	248	210.1
1971-72	198	227	197.2
1972-73	233	260	272.8
1973-74	364	364	379.3
1974-75	403	436	358.9
1975-76	314	274	234.7
July, 1976	289	300	295.1
August, 1976	307	303	321.7
September, 1976	339	318	334.2
October, 1976	343	334	323.8
November, 1976	303	384	354.4
December, 1976	320	448	371.0
December 25, 1976 (1961-62 = 100)	319	448	371.0
December 25, 1976 (1970-71 = 100)	—	—	160.2
January 29, 1977	—	—	170.8
February 26, 1977	—	—	186.0
March 19, 1977	—	—	170.9

TABLE III
Demand Projections for Oil (Million tonnes)

	1971 (Base year)	1975	1980	1985
(i) Vegetable oils	1.82	2.22	2.79	3.48
(ii) Vanaspati	0.59	0.74	1.03	1.38
(iii) Soaps	0.35	0.44	0.63	0.87
(iv) Paints	0.08	0.12	0.15	0.17
(v) Toilets, lubricants and miscellaneous uses	0.30	0.46	0.62	0.78
Total	3.14	3.98	5.22	6.68

edible oils taken together since 1965-66. As imports could not be taken resort to on any large scale in all these years, except in 1976-77, due to foreign exchange difficulties, the tight domestic supplies were adequately reflected in the uptrend in prices. Compared to 1974-75, although the 1976-77 prices of edible oils in general and of groundnut oil in particular were significantly lower, yet on an average they were higher than the 1975-76 prices. The current prices too are, on an average, higher than last year.

Ultimately, the key to containing the prices of edible oils lies in the stepping up of domestic production in line with the growth in demand and rationalisation of the marketing of oilseeds. It has been experienced that immediately after the harvest, prices tend to fall precipitately to rise sharply when the marketing by farmers is over. This provides an indication that the activities of the unscrupulous among the trade have to be contained.

Provision of support prices for groundnuts can go a long way in stimulating the output of this most important oilseed crop. It will help in obviating sharp

decline in prices in the immediate post-harvest period and contain unhealthy tendencies on the part of traders who are the major beneficiaries of the wide fluctuations in prices.

Table III (p. 735) gives the demand projections of oils upto 1985. It is evident from this table that the requirements of oils will go up at a much more accelerated pace in the years to come than has been the case in the recent years. The growth in domestic production, therefore, will have to be stepped up greatly.

In the long-term strategy for edible oils, it would be injudicious not to provide for some exports of groundnuts. In fact, as these exports can fetch a much better price than the imports of soyabean, palm or sunflower oils would cost, some exports of groundnuts should be effected the proceeds of which can be utilised for importing larger physical quantities of other edible oils used in vanaspati manufacture. The permission to export HPS groundnut to the extent of 50,000 tonnes out of the last crop, although this crop was much below expectations, has its genesis in the above logic.

of narration which the author has adopted, a clinical relating of the great affairs or events of national politics or the national economy to the challenges and opportunities which shaped the Federation and pushed it through its formative years and since. In the process, he seems to have drawn more on the Federation's archives than on live interviews and discussions. Perhaps this explains the element of detachment in his writing which is so often an essential ingredient of objectivity.

the better half

The earlier chapters of the book are easily its better half. The strength of the book lies chiefly or almost wholly here. It is always more rewarding and certainly safer to discuss the dead rather than the living and the yester-years rather than the yesterdays. Mr Venkatasubbiah takes us effortlessly and informatively over the terrain of inter-war history and the battles over the rupee ratio, tariff protection, Britain's economic interests versus India's in the context of India's subject political status and British business in India versus the Indian in the context of the then Indian government's attitudes and policies. He indicates the fact, without emphasising the moral, that a subject country's nationalism becomes blessed indeed when the self-interest of its more resourceful groups happens to coincide with the political goals of the people. How the early leaders of the Federation built up that organization into a reasonably effective advocate or watchdog of the country's larger economic causes, while keeping the weather-eye open for opportunities and advantages for Indian business interests, must be an entrancing story of which some intriguing glimpses are vouchsafed to us in this telling of the Federation's dialogues and debates with the government of India during the inter-war and war years.

Equally fascinating must be a chronicle of how, even during the most intensive phase of the freedom struggle, the Federation, as virtually the sole significant organization then of the Indian business community, managed to remain essentially "non-political" in its relations with the government, while retaining its credibility with the nationalist movement. In fact,

On the way to a golden jubilee

THE FEDERATION of Indian Chambers of Commerce and Industry has been celebrating its golden jubilee year and the *grand finale* will be the golden jubilee session over this weekend. A useful historical background has been provided in a brief survey of the fifty years of the Federation in *Enterprise and Economic Change**, by Mr H. Venkatasubbiah, who, incidentally, was a member of the founding group of the editorial staff of this journal. The topicality of this book cannot be a coincidence. In any case, coincidences, like accidents, can sometimes be contrived—and may be none the worse for that. In his Preface, Mr Venkatasubbiah has expressed his indebtedness to Mr P. Chentsal Rao, secretary general of the Federation, for his "encouragement, help

and patience" and its secretary (Economic), Mr Ram Gopal Agrawal, who "read the manuscript as a whole and made valuable suggestions". He could perhaps have been more explicit about the Federation's involvement in the project. This would have helped the reader to a better appreciation of both the strength of the book and its weak points.

The strength of the book is easily seen. It starts with the advantage of being "the first fully documented account of the major developments in India's most representative business body". This is not merely what the blurb proclaims. So far as we know, it happens to be true. The author's claim that "the book is essentially a contribution to business history" may be taken seriously. It is business history which is part economic history and part political history. Indeed, the main strength of the book is the technique

**Enterprise and Economic Change*—50 years of FICCI by H. Venkatasubbiah; published by Vikas Publishing House Pvt Ltd, New Delhi; pp. 176; price Rs 45.

Thanks partly to the close relations, largely personal, but also substantially political in the sense of shared political goals, which certain key personalities in the Federation maintained with the leaders of the Indian National Congress, it became often possible for that organization to function not only in ways acceptable to the nationalist sentiment, but also as an extension of the nationalist political effort. It could fight its battles with the government, for instance, over issues of currency, trade or tariff policy as a war waged on one of the many fronts of the Swadeshi movement which was the earliest organized expression of the "quit India" demand. Mr Venkatasubbiah deftly refers to these aspects of the Federation's passage through the troubled waters of the freedom struggle and whets our appetite for information about what took place on the wings or behind the scenes.

casual treatment

It should be made clear, perhaps, that the author has not dealt with the technicalities of the ratio or other controversies such as those relating to wartime production and supply policies or the sterling balances in any great detail. Given the purpose of the book and the space available, this can be no cause for complaint; moreover much relevant literature is otherwise available. But, it is rather disappointing that the Federation's flirtation with planning, until planning became too serious a business to bait politicians with, has been casually treated. This is all the more a pity because the weaknesses of the latter part of the book, dealing with the years after independence flow directly from this error of judgment.

Mr Venkatasubbiah has given to the eighth and penultimate chapter of his book the title "On Fighting Losing Battles". Actually, this should have been an omnibus heading for all the chapters from the fifth to the ninth. Come to think of it, the right caption should be "On Losing Battles Without Fighting Them". The Bombay Plan of 1944 was not exactly a Federation plan (Mr Venkatasubbiah does not say it was). It was the brain-child primarily of Mr G.D. Birla who got together a small but distinguished company, which included Mr J.R.D. Tata, Mr Kasturbhai Lalbhai and the late

Shri Ram, to put before the country a broad 15-year perspective of economic development with emphasis on industrialization. Its primary purpose was to provide the country with a conceptual alternative to a possibly Soviet-type of planning which, it was feared, the K.T. Shah National Planning Committee might corner the market with. Its immediate positive result was to push the then government of India, which was still British, into setting up a Department of Planning under the late Ardeshir Dalal, one of the co-authors of the Bombay Plan.

Pandora's box

Soon after India become free and even before the Nehru government's Industrial Policy Resolution of 1948 had been formulated, becoming soon a bone of contention between Congress socialism and big business pragmatism, captains of industry had begun wondering whether they had opened for themselves a Pandora's box of troubles with their talk of economic planning. To this phase belonged the famous doubt expressed by Mr J.R.D. Tata whether India might not be too small for another steel plant. Anyhow, having got cold feet so early in the game, the business community and, representing it, the Federation never again got their steps right. Hence the dismal record of government-industry or industry-public relations through the 'fifties and the 'sixties and thereafter. Having misjudged the import or implications of post-war inflationary pressures, the business community ensured in advance the loss of credibility for its wailing protests against the proliferation of controls. Similarly, by succumbing to the temptations of an economy of shortages, it alienated public opinion and thereby forfeited public sympathy for its resistance to nationalization. Again, by getting rich so much so quickly, often so obviously at the expense of vulnerable sections of the community, the nation's industry and commerce could not plead for liberal fiscal policies without their motives becoming suspect. Finally, and above all, by becoming a partner to organized and ever-spreading political and administrative corruption, big business has earned the fear and distrust of the public.

The sin of the Federation in respect of

all this is that it failed in its institutional responsibility to develop in time a wholesome philosophy for free enterprise which would have weaned the business community away from the short-sighted pursuit of secondary interests and advantages. In this sense, it was also responsible to a great extent to that other failure, which was in the political field, of a sound and strong liberal opposition to build up as a challenge to the authoritarian tendencies both economic and political developing in the Congress party. The growth of the Swatantra party was buried in the annual sessions of the Federation where prime ministers harangued to businessmen. Why this should have been so is a theme for a treatise which Mr Venkatasubbiah has not intended to write and has not written. A golden jubilee, it may be allowed, does not accommodate heart-searchings among its festivities.

to be retold

But that story needs to be told some day. It cannot however be written with a ball-point pen. It waits for an alloy nib which would withstand the vitriol in the ink. If and when it is written, it would speak of an organization deadening with the intellectual inertia of an administration the chief officer of which was in position for nearly as long as Jawaharlal Nehru and his daughter between themselves were prime ministers. (Since such a longevity was bound to be boring, he put in time for a term as a Congress member of parliament, blissfully riding two horses at the same time). This story would also speak of a secretariat spending what time it could spare from catering for those in the saddle to keeping on the right side of others who might be in the saddle next. Finally, it would narrate the infighting, the backstair intrigues and the private palavers with ministers and other politicians which, over a period, have reduced a forum to a facade. Ill-served as the cause of democracy in this country has been during critical periods, the cause of free enterprise has been betrayed even more. This tragedy cannot be narrated from the archives of the Federation; it can be pieced together only from living sources, provided those sources have not lost their voice.

STC surges ahead

Record rise in non-canalised exports.

Every year, since its inception, has been a landmark in the history of STC. Ending March 31, 1977, this year was devoted to the promotion of new and non-canalised exports — which recorded an increase of 144% over the previous year — from Rs. 64 crores to Rs. 156 crores.

This spurt in the sphere of free and competitive exports further enhances STC's standing as India's premier organisation for international trading.

Non-canalised exports form approximately 24% of STC's exports of Rs. 661 crores. The range includes processed foods, chilled meat and live sheep, a variety of produce items, construction materials and also consumer and fashion goods.

At the end of every financial year, STC publicly reviews its performance. Broad details are charted below :

Performance Review

	(Rs. crores)		
	1974-75	1975-76	1976-77
Exports	553	759	661
Imports	164	160	299
Domestic	4	4	6
Total sales	721*	923*	966
Equity Capital	10	10	10
Reserves	22	24	39
Networth	32	34	49

*excluding CPC

Exports

Sugar exports were substantially reduced to protect domestic requirements. Excluding sugar — the largest single foreign exchange earner last year — STC's exports rose by a further 74% over the previous year. Main growth centres being

cement, castor oil, silver and, of course, leather footwear.

Fresh outlets were tapped for mango juice to Kuwait and Libya, pineapple slices to Hungary, wood charcoal to Iraq, aluminium ingots to Indonesia, footballs to Algeria and fireworks to the United States.

Imports

Massive imports of edible oils were organised at short notice for the Vanaspati industry to improve the supply position and contain internal prices.

Other imports were also liberalised procedures streamlined and direct allotments of many raw materials arranged during the year.

Price support and buffer stock operations were enlarged for seedlac and rubber to ensure a fair return to the growers.

Trading Highlights

- Over 300 leather sewing machines worth Rs. 2.5 crores were imported to strengthen the infrastructure of the leather industry.
- Several assistance schemes were cleared during the year; and finance is readily available for export production projects on liberal terms, with further contributions to the Export Development Fund made out of current profits.
- Yet another — Export Stabilisation Fund is being created to cushion losses in lean years for important and permanent items of export.
- A branch has been established in Guntur for direct participation in tobacco exports. Another branch is being set up in Kanpur to assist small and medium units in the region.
- Customer Relation Service centres are being set up in STC's offices in Delhi, Bombay, Calcutta and Madras.

The turnover of the STC Group — STC, PEC, CCI, CPC, HHEC and CCIC is Rs 1174 crores, showing an increase of 7% over the previous year.

STC employs over 2000 dedicated managers and staff in 11 cities in India and 20 important centres around the world.



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Total revolution remains our mission

Jaya Prakash Narayan

In a message to the nation, broadcast and also televised on Baisakhi, Mr Jaya Prakash Narayan pleads for the elimination of corruption from politics and administration through safeguards built into the Constitution. "These," he says, "are my first expectations from the government."

MY DEAR countrymen, many friends have been pressing me in the past few months to say something to the nation. Being bed-ridden and, therefore, out of touch with the objective situation in the country, I have been hesitating to say anything.

Only a few days ago, the prime minister spoke to the nation. After his excellent discourse, I should have thought there was no need for any other voice to be raised. But friends still think that the prime minister having spoken as the head of government, there was need for a common citizen like me to speak on behalf of the people.

While I disclaim any authority to speak for the people, I am placing here my views as a common citizen.

The first observation that I should like to make and emphasise is, that the results of the last general election were due to the students' and people's movement that had started from Gujarat and spread to Bihar and whose message had resounded throughout the country.

The essence of that message was that an elected representative of the people does not necessarily acquire a right to hold on to his position until the expiry of his legal term.

right to recall

The principle that was asserted during the movement was that when an individual representative or a representative government failed in duty, became corrupt and oppressive and inefficient, the electors, i.e. the people, had a right to demand their resignation i respective of the time they may yet have left to serve.

The example of ex-president Richard Nixon of the United States, illustrates the proposition I am enunciating here.

It is true that what is called the "right of recall" has no place in our Constitu-

tion. But in a democracy the people have an unwritten right, which they can exercise if and when necessary.

All this does not mean that any small number of disgruntled persons have the right to demand an elected representative or government to step down from office whenever they wish.

But it does mean that if it is found beyond any doubt that a vast majority of the people concerned are convinced of the corruption, nepotism and inefficiency of a government or an elected representative and demand their resignation, the people's voice must prevail.

POINT OF VIEW

It is possible that the party in power, or the individual representative concerned, might also mobilise their supporters, but if there is a genuine people's upsurge against them democratic ethics and practice require that the will of the people, great majority, must prevail over that of a small minority.

To the constitutionalists this may appear to be an anarchic proposition. However, it should be remembered that practically every major constitution in the world was drafted in the wake of revolutionary upheavals.

This is a good occasion to look back and recall how the students' movement against corruption in Gujarat had assumed an all-India character. Political and governmental corruption was the central point of the people's movement. Therefore, it is the duty of those who have come to

power in the wake of that movement to take some concrete and effective steps to stop and root out corruption from these spheres.

It is my view that just like the high courts and the Supreme Court, there should be an autonomous institution set up with legal authority and rights both at the centre and in the states. The Swedish Ombudsman naturally comes to one's mind, but in the Indian conditions some broader kind of institution seems to be necessary.

institution of Lokpal

For instance, at the centre a body that may be known as Lokpal might be set up consisting of not more than five members with powers to hold investigations on their own initiative as well as on the initiative of any citizen or any private or public body.

A group of individual jurists might be entrusted with the task of drawing up a blueprint of such a body and a clause to this effect might be inserted in the Constitution. These are my first expectations from the government.

The main issue raised by the students-cum-people's movement was electoral and administrative reforms so as to make elections cheap and truly representative and bring the administration nearer to the people.

Another important demand concerns educational reforms so as to relate education to the problems of the country and fit the educated to deal with them. It was also desired that a medium of education should be made universal and illiteracy and ignorance banished from the land.

The charter of demands that I placed before the Speaker of the Lok Sabha and the President (Chairman) of the Rajya Sabha on behalf of the people on March 6, 1975, deserves to be reproduced here so that it may serve as a standard by which to measure the work and functioning of the present government.

Except for the centre, the Congress

governments still continue to function in the states. It is necessary as soon as possible to give a chance to the people to elect their fresh representatives who would be committed to the people's charter in addition to their election manifestoes.

It will be recalled that the ultimate objective of the people's movement was defined by me as total revolution. This term 'total revolution' was derided by some at that time and brushed aside by some others as a dream of an impractical person.

Therefore, I should like to repeat my faith in what I called total revolution and pledge myself to work for it as soon as my health permits.

In our heritage from the past there are some things that are noble and valuable. They have to be preserved and strengthened. But we have also inherited a great deal of superstition and wrong values and unjust human and social relations.

The caste system among the Hindus is

a glaring example of our evil inheritance. From the time of Lord Buddha, and may be from even earlier times, attempts have been made to destroy the hierarchical system of caste but it still flourishes in every part of the country. It is time that we blotted out this black spot from the Hindu society and proclaimed and practised the equality and brotherhood of all men.

Similarly, there are rotten customs and manners associated with such things as marriage, birth, death, etc. The purging of these evils also falls within the purview of the total revolution.

Coming to more modern spheres of life, such as education, it is time that the radical recommendations of the several education commissions, the Kothari Commission not being the least of them, are implemented.

Here we might follow the example of China, in which all the schools and colleges were closed down and the students were sent out to the villages and slums of the towns to impart the rudi-

ments of education to every citizen, young or old.

I have not said anything here about the usual socio-economic reforms that are so much talked about but about which so little has actually been done. For this task, too, youth power can be drafted with advantage to the youth themselves and to society at large.

Finally, if God grants me better health in the coming months, I look forward to take up my cry of total revolution and do whatever might lie in my power.

In the meanwhile, the work need not be stopped. Let everyone do his bit, singly or in cooperation with others.

Here is a beacon light for our youth. I hope they will steer the course of their life towards that light.

I am at their disposal even in my sick bed for advice and such guidance as I might be capable of giving.

So, forward, my young friends, "*Sam-poorn Kranti ab Naara hai, Bhawi Itihas hamara hai*" ("Total revolution is the slogan. *The Future is Ours*").

Developing coconut industry

The coconut industry provides employment to some 10 million people in the country. The yield of coconut per hectare has declined over the years though the area under its cultivation has increased. There are problems of disease and marketing that need to be overcome. The shell can yield products that can find use in steel, plywood and plastics industries. Research is necessary not only in post-harvest technology but also in integrated development of crop-livestock-fish culture.

THE CLASSICS of India have rightly eulogised the coconut tree as *Kalpavriksha*—the all giving tree. In terms of geographical distribution it ranks first among the oil-yielding crops of the world as it is grown in as many as 76 developing countries. Currently our country produces 5961 million nuts annually from 1.1 million hectares of coconut plantations. Coconut contributes one per cent of the GNP and two per cent of the total agricultural income of our country which ranks third in the world production of coconut. The significance of developing the coconut industry lies in the fact that (i) coconut culture and industry provide full or part-time employment to over 10 million people in the country, and (ii) over 90

per cent of the coconut holdings are less than one hectare in area. The average size of a coconut holding is only 0.2 hectare. Hardly two per cent of the holdings have an area of two hectares or above.

Dr M.S. Swaminathan, Director-General, Indian Council of Agricultural Research (ICAR) while inaugurating a four-day international symposium on coconut research and development, painfully pointed out that the yield of nuts per hectare has remained stagnant. That production has not increased in other countries as well is no consolation in India where the scope for extensive and scientific cultivation is immense and is not being fully utilised. In this connection it is necessary

A. R. Patel

to make critical review of the current status of coconut development in our country so as to develop guidelines for future action.

Over Rs 100 crores have been invested in coconut development over the last five years. And under a package programme now evolved, about 120,000 hectares of coconut groves will be brought under scientific management programme in the next few years. The projected production of about 7700 million nuts by the end of the fifth Plan is likely to fall short by about 1800 million nuts, unless the present production level increases by about 30 per cent. This calls for a coordinated effort by the different agencies engaged in coconut research and development to solve many of the problems faced by the coconut growers and industry.

More vigorous and concerted efforts have now to be made to solve the major problems relating to coconut cultivation. The world production of coconut oil has stayed at the level of three million tonnes

a year for the last two decades. In this country although the overall production has been rising on account of the steady expansion in the area, the per hectare output has been declining. Thus, while the average yield has come down from 5785 nuts to 5344 nuts per hectare in the last 25 years, the total output has increased from 3448 million in 1949-50 to 5961 million nuts in 1974-75. This increase has therefore to be attributed to the expansion of area under cultivation which has almost doubled—from about 5,96,000 hectares in 1949-50 to over 1.11 million hectares in 1974-75.

In all the coconut growing states in the country, the crop is grown in homestead gardens and small holdings. The cultivator seldom observes the principles of spacing and density and grows a number of crops in a haphazard manner. Some combinations are compatible and others incompatible, resulting in over-population and consequent reduction in the yield. The prevalence of complex diseases like root wilt and stem bleeding considerably reduce the production. It has been estimated that the country incurs a loss of about 300 million nuts every year due to root wilt disease alone, which at prevailing market rates results in a loss of Rs 200 million.

The dearth of quality planting materials is the most limiting factor in a massive replanting programme. Because of the considerably long time the palm takes to show response to manures and other management practices, the extension workers find it difficult to transfer the technology. Again due to the small size of their holdings most of the farmers are not in a position to use costly fertilizers, pesticides and certain micro-nutrients.

seasonal production

Though the nuts are harvested throughout the year, the production pattern has highly seasonal characteristics. About two-thirds of the annual production is collected during the period January to June, whereas the remaining one-third is collected in the second half of the year. This unevenness in the production pattern also influences the market prices of the produce. Coconut oil prices show an inverse relationship to the production cycle.

Generally, coconut is marketed for three

purposes viz (i) as tender nuts (35 per cent), (ii) for domestic and religious purposes (57 per cent) and (iii) for making copra and oil (8 per cent). The marketing channels linking producers and consumers consists of intermediaries viz village merchants, contractors, copra makers, commission agents, oil-millers, dealers and retailers within the state. In case of inter-state trade, it passes from commission agents to upcountry millers, organised consumers, wholesale and retailers. The estimated 82 per cent of marketable surplus is marketed in *situ* to village merchants, contractors, copra makers. In the absence of effective co-operatives and state participation, marketing is almost a monopoly of the private sector. The erratic price behaviour of coconuts and the recent decline in prices of coconut oil and copra have caused considerable hardships and economic strains to the growers. Since a majority of the coconut growers are small and marginal farmers, sudden reduction in their income makes their life miserable since the production of coconut involves large investment and long gestation period, stability in coconut prices is necessary for promoting long-term investment for the scientific development of the crop.

regulating imports

Coconut-based industries are mainly confined to extraction of oil and manufacture of coir items. About 80 per cent of the total copra produced in the country is converted into oil of which 75 per cent is consumed in the household sector. The remaining has to find outlets in the industrial sector, mainly in soap industry where it faces elastic demand. The availability of cheap substitutes coupled with unpredictable price behaviour of coconut oil has encouraged the soap industry to bring down the consumption of coconut oil. Regulating the imports of other fats and oils as done in the case of copra imports, will help to prevent coconut oil prices going below the remunerative level.

Total world production of coir fibre is estimated to be 2,82,050 tonnes of which about 50 per cent is produced in this country. Coir industry in India which supports about one million people is labour-oriented depending mainly on its

export. Indian coir enters the markets of more than 100 countries in the form of raw coir fibre, spun coir yarn, and woven coir products. We account for over 50 per cent of the world trade in coir. Though export earnings have gone up, the quantity exported is steadily coming down. The factors responsible for the decline are: (i) the development of synthetic and non-synthetic substitutes, (ii) rising cost of production of coir in the country, (iii) availability of sophisticated coir products in foreign markets manufactured in western Europe and (iv) the inability of the local industry to adopt mass production techniques, due to the apprehension of largescale displacement of labour. The high incidence of freight, lack of shipping space, high import duties, etc are some of the other factors affecting our export. Strengthening the base for export production and development of domestic market are the two basic factors essential for the survival of the industry.

important by-product

Coconut shell is an important product which has not been exploited fully. The estimated annual production of shell in the country is 0.88 million tonnes. The destructive distillation of the coconut shell gives various useful products. Its charcoal is used in iron and steel industry. Coconut shell flour finds very wide use in plastic and plywood industries. The coconut water can be used for making coconut honey, beer, vinegar, etc.

In order to induce the grower to take more interest in coconut cultivation, he requires to be made aware of the wide variety of uses to which every part of coconut can be put. In this context, the proposed establishment of a factory in Kerala for extraction of oil from fresh coconut using 'solvent' process, production of cooking gas from the shell and honey from the coconut water deserves special mention. This plant is expected to process daily 1,50,000 fresh coconut to produce about 11 tonnes of high quality oil, two tonnes of protein, three tonnes of flour and one tonne of honey, besides carbon, chemicals and cooking gas. Since at present 25 per cent of the coconut produce in the world is wasted or rendered unsuit-

able for effective utilisation, the new plant gives a ray of hope to the growers. The establishment of agro-industrial complexes will help to promote integrated rural development.

The non-availability of the planting material is the most limiting factor. Since the National Seeds Corporation (NSC) did not enter into this field, the Central Plantation Crops Research Institute (CPCRI) at Kasargod has taken up this job. The elite seed garden, for coconut set up by CPCRI is expected to produce about 6,00,000 hybrid seednuts every year on its full bearing stage. Some seed gardens are also coming up in Karnataka, Tamil Nadu and West Bengal.

Dr M.S. Swaminathan has rightly underlined the need for establishing a global grid of coconut genetic resources centres to help researchers. Areas in Lakshadweep and Andaman-Nicobar Islands can provide suitable locations for the world coconut genetic resources centres. The gap between the production achieved in a research farm or a well-managed cultivator's farm and the average yield of a typical area can be bridged by concerted

efforts of development, extension and research agencies. Emphasis in future will have to be on hybrids with a dwarf structure, early prolificity and disease resistance. There has been a need for research on rapid propagation techniques like tissue culture techniques and vegetative propagation standardised in oil palm.

With a view to utilising more effectively the basic natural resources, namely solar energy, soil and water, investigations into the scientific principles and techniques of raising inter and mixed crops in coconut plantations have been in progress for the benefit of small farms. Mixed farming trials conducted in the last five years have shown an increase of 28 per cent in coconut yield and the net profit of Rs 2494 per 1.3 hectares of land. The net return per hectare under multi-storeyed cropping, consisting of coconut, *cacao*, pepper and pineapple, is around Rs 15,600 per annum. As the most remunerative inter-crop under rainfed conditions ginger gives a combined net return of Rs 13,700. Tubers and bananas give a net return between Rs 6,000 and Rs 8,000 per hectare per annum. A pure plantation of one hectare coconut

requires about 150 mandays per year while under different inter-crops or mixed crops it may go up to 350 mandays. In order to take the coconut cultivation out of the present morass, vigorous development efforts in terms of extension services and supply of inputs including credit is essential even as the research programmes continue.

Research is essential not only in the post-harvest technology, it needs to be initiated towards crop-livestock-fish integration techniques in the coconut groves. Usually there are numerous small ponds near coconut groves where the composite fish culture techniques, standardised by the Central Inland Fisheries Research Institute, can be demonstrated. The scope should be explored for planting *casuarina*, cashewnuts and coconuts all along the country's coast because these plants make a good combination and provide to fishermen and farmers living along the coastline additional energy, income and nutrition. In addition, sea erosion can be halted by these plantations as has already been demonstrated in strips of sea-coast in Karnataka and Orissa.

Potentiality of petroleum

Mahesh C. Verma

products for excise revenue

The revenue earned from excises on petroleum products has contributed substantially to the yield from indirect taxation. The author who is a research scholar, Economics Department, Aligarh Muslim University, believes that excises on these products serve the twin purpose of yielding larger and larger revenue and keeping down imports.

THE GOAL of indirect tax policy is improvement in the allocation of resources. The problem of taxation in developing countries such as ours has been receiving special and increasing attention in the context of world concern for accelerating the pace of economic growth. Much of the theoretical and applied work has been related to the task of constructing a productive and equitable tax system suited to the peculiar economic and social conditions prevailing in various less developed countries. Given the comparatively limited amount of resources that it is ordinarily possible and easy to obtain from abroad, from domestic borrowings and from non-tax revenue

most of the developing countries have felt the need to increase their tax revenues.¹ In this article an attempt has been made to highlight the role of petroleum products as a major tool of mobilizing central excise revenue.

The tax systems of the under-developed countries differ most noticeably from the pattern in advanced countries in their heavy emphasis on commodity taxation. Inadequate attention however is devoted to the use of indirect taxation as a tool of development policy. On the one hand, opportunities for consciously using indirect tax policy to influence the economic decisions have been neglected, on the other indirect taxes are often instituted to

gain badly needed revenue without paying due regard to their distributional and equity impact on the allocation of resources and the rate of economic development. What is clearly needed is to utilise indirect tax system of a country in such a way that it contributes to the implementation of an over-all strategy for allocation of resources, improving the rate of growth and distribution of incomes available for private uses.²

Indirect tax policy however cannot be framed in a vacuum. The entire gamut of policies, including both direct and indirect taxes, has to be coordinated to achieve the goals of a given development strategy. Generally, all that the developing countries, such as ours, have attained through indirect taxation is to raise their national revenue as direct taxes have their limitations. This can be seen from Table I.

This table gives an analysis of direct and

indirect taxes, their per cent ratio to total tax revenue, and also the total tax revenue as per cent of National Product from 1950-51 to 1976-77 (B.E.). Direct and indirect taxes in 1950-51 had yielded a revenue of Rs 130 crores and Rs 227 crores respectively against the total tax revenue of Rs 357 crores, and their per cent ratios are 36 and 64 respectively. Total tax revenue as per cent of National Product was 3.8 during the same period. During 1960-61, i.e. after a gap of about 10 years, the total yield of direct and indirect taxes had improved to Rs 205 crores and Rs 525 crores respectively against the total tax revenue of Rs 730 crores. Their per cent ratios to total tax revenue had changed from 36 and 64 to 28 and 72 respectively in the period referred to above. The total tax revenue as per cent of National Product also had increased by one per cent during the period under review. The per cent share of direct and indirect tax revenues had changed to 21 and 79 respectively during the year 1970-71 i.e. direct and indirect taxes had yielded Rs 511 crores and Rs 1,940 crores against the total tax revenue of Rs 2,451 crores.

relation to National Product

The total tax revenue as per cent of National Product has also improved from 4.8 per cent in 1960-61 to 6.2 per cent in 1970-71. During the year 1976-77 (BE) the revenue from direct and indirect taxes was expected to yield Rs 1,496 crores, and Rs 4,768 crores against the total tax revenue of Rs 6,264 crores, and their ratio will be 24 per cent and 76 per cent respectively during the period under reference. From the analysis of above table it is clear that indirect taxes are playing a dominant role in the Indian economy since 1950-51 to the present date, although their per cent contribution with respect to total tax revenue is going to show a downward trend with effect from the year 1972-73.

In respect of direct taxes it is often asserted that India is the highest taxed nation in the world. That may perhaps be true so far as the letter of the law goes. But in practice the share of these taxes in total tax revenue of the country has gone down from 40 per cent

to 22 per cent, although the share of the income that should be taxable in the total national income has increased. This divergence between the letter of the law and the actual practice is due to widespread and increasing evasion of taxes. If the purpose is to tax the rich, it would be better served by sharply reducing the rates of direct taxes, and steeply increasing the rates of indirect taxes only on those items which are consumed by the upper income groups. This course would be much more effective because, given the efficiency of our tax collection system, the degree of evasion is likely to be much smaller in the case of indirect taxes than in the case of direct taxes.³

The appointment of a committee under the chairmanship of Mr L.K. Jha, to review the existing structure of indirect taxes and advise the government on the steps to be taken has brought into sharp focus the problem created by the continued and heavy reliance on the indirect tax system. In the evolution of indirect tax system, various factors have come into play some of which are of historical nature and others reflect the state of the economic development of the country. Low levels of per capita income, inadequate growth of the organised sector, and large share of agricultural sector in the national income have been the major factors responsible for keeping the base of direct taxation narrow and relatively

constant. In contrast, the system of indirect taxation proved to be very powerful for mobilising revenues, and it has been found to be administratively more convenient in the overall tax structure of the government of India.⁴

Among the various indirect taxes, excise duties constitute the largest single source accounting for about 70 per cent of the total collections. Excise duties were first introduced during the second world war to make up for the loss of customs revenue and they emerged into prominence during the last 25 years. While in 1950-51, union excises accounted for about 17 per cent of the total revenue of the government of India, they accounted for more than 52 per cent in 1975-76.⁵ This rise has been mainly on account of increasing industrialisation and higher incomes derived by the people. Excise duties are versatile and can be designed to achieve a multiplicity of goals. While in the earlier years they were imposed mainly as a revenue raising device, in recent years they have been levied also to restrain consumption and release more quantities for export. These duties have helped to bring large sections of the population under the tax net making them contribute to finance developmental activities. They have also been levied for administrative convenience to replace the sales-tax imposed by the state governments at different rates. Thus, excise duties have acquir-

TABLE I
Direct, Indirect, and Total Tax Revenue of Union Government on Revenue Account
(Rs in crores)

Years	Tax revenues		Total tax revenue	Per cent share in total tax revenue		Total tax revenue as per cent of National Product
	Direct	Indirect		Direct	Indirect	
1950-51	130	227	357	36	64	3.8
1960-61	205	525	730	28	72	4.8
1970-71	511	1,940	2,451	21	79	6.2
1971-72	586	2,342	2,928	20	80	6.9
1972-73	752	2,691	3,443	22	78	7.4
1973-74	848	3,047	3,895	22	78	6.7
1974-75	1,141	3,956	5,097	22	78	8.5
1975-76(RE)	1,435	4,436	5,871	24	76	9.5
1976-77(BE)	1,496	4,768	6,264	24	76	Not available

Source: Author has computed the table with the help of Reserve Bank of India, Reports on Currency & Finance, 1954-55, pp 176-177, 1965-66, pp 80-81, 1976-77, pp 104-105.

ed a new dimension in our fiscal system, and they are being used to serve certain larger social and political objectives.⁶ This can be seen from the statistical evidence thrown up in Table II.

An analysis of this table shows that excises which used to contribute about 19 per cent of the total tax revenue of the government of India during the year 1950-51, increased their share to 56.2 per cent in the year 1959-60. Their share declined to 50.3 per cent during the year 1965-66, but rose to as high as 54.8 per cent in

1970-71. During the last five years, there has been some levelling of the contribution of excise duties to total tax revenue. Similar trend is observed in the share of excises in the total indirect tax revenue. The per cent variation in the revenue of excise duties has also taken place from 26 to 5907 per cent, i.e. the revenue has increased by 5881 per cent during the period of 1950-51 to 1976-77 (BE). The significant fact which emerges from these data is that revenues from excise duties have expanded by leaps and bounds, and

their share now works out to over 50 per cent in the total tax revenue, and over 70 per cent in indirect tax revenue of the union government. It indicates the continuously heavy reliance placed on this single item in the overall Indian fiscal policy. A more significant indicator of the growth of excise would be its share in the national income (Table III).

Table III indicates that excises have increased more than 56 times over the period 1950-51 to 1975-76 with their share in national income going up from 0.7 per

TABLE II
Total tax Revenue and Revenue from Indirect Taxes of the Union Government

(Rs in crores)

Year	Total tax revenue	Of which indirect taxes	Of which excise duties	Revenue from excise duties as per cent of total tax revenue	Revenue from excise duties as per cent of indirect tax revenue	Per cent variation in revenue from excise duties
1950-51	357	227	68	19.0	29.9	—
1951-52	460	320	86	18.7	26.8	26
1952-53	370	240	83	22.4	34.6	22
1953-54	348	238	95	27.3	39.9	40
1954-55	384	278	108	28.1	38.8	59
1955-56	411	296	145	35.2	48.9	113
1956-57	494	347	190	38.4	54.7	179
1957-58	575	418	274	47.9	65.5	303
1958-59	553	387	313	56.6	80.8	360
1959-60	642	449	361	56.2	80.4	430
1960-61	730	525	416	56.9	79.2	512
1961-62	875	632	489	55.9	77.4	619
1962-63	1,061	732	599	56.5	81.8	780
1963-64	1,374	943	730	53.1	77.4	973
1964-65	1,563	1,089	801	51.2	73.6	1078
1965-66	1,785	1,311	898	50.3	68.4	1220
1966-67	1,934	1,413	1,034	53.4	73.1	1420
1967-68	1,937	1,457	1,149	59.3	78.9	1590
1968-69	2,019	15,14	1,321	65.8	87.2	1843
1969-70	2,201	1,668	1,524	69.2	91.3	2141
1970-71	3,207	2,330	1,759	54.8	75.5	2487
1971-72	3,872	2,817	2,061	53.2	73.2	2930
1972-73	4,510	3,258	2,324	51.5	71.3	3317
1973-74	5,073	3,686	2,602	51.3	70.6	3726
1974-75	6,322	4,658	3,269	51.7	70.2	4707
1975-76 (RE)	7,470	5,292	3,824	51.2	72.3	5523
1976-77 (BE)	7,837	5,739	4,085	52.1	71.2	5907

Source: Author has computed this table with the help of the Reserve Bank of India, Reports on Currency and Finance, 1954-55, pp 176-77, 1957-58, pp 858, 1959-60, p S52, 1960-61, p S57, 1965-66, pp 880-81, 1967-68, p S90-91, 1970-71, pp 100-101, 1972-73, pp S94-95, 1975-76, pp 104-105, 106.

cent to 6.2 per cent during this period. The total tax effort increased only by about 60 per cent with the ratio of total tax effort to national product rising from 3.8 per cent to 16.1 per cent. On the basis of the above statistical analysis it may be argued that the excise duties have played a dominant role in the revenues to our exchequer.

The aspect of revenue productivity and the direction of resource allocation of excise duties can be examined from Table IV.

rapid growth

This table reveals the trends in revenue receipts from union excise duties for the period 1950-51 to 1976-77 (BE). Over this period, excise revenues have grown very rapidly from mere Rs 68 crores to Rs 3,824 crores, i.e., at the compound rate of 17.5 per cent per year. The 1976-77 budget estimated a further increase of over Rs 260 crores to Rs 4,085 crores. It is also important to mention here that during the last 20 years, a number of commodities covered increased from 15 in 1950-51 to as many as 133 in 1976-77. It is significant that the share of revenue from excise duties in total tax revenues as well as in indirect tax revenues of the union government has grown phenome-

TABLE IV

Number of Commodities covered with their Revenue Productivity under Excises (Rs crores)

Years	Receipts under union excise head	Number of commodities subjected to excise duties
1950-51	68.00	15
1960-61	416.00	41
1970-71	1,791.00	91
1971-72	2,061.00	116
1972-73	2,324.00	120
1973-74	2,602.00	123
1974-75	3,269.00	128
1975-76 (RE)	3,824.00	133
1976-77 (BE)	4,085.00	133

Source: Reserve Bank of India, Reports on Currency and Finance, 1954-55, 1967-68, 1975-76.

nally as revealed in Table IV. The accrual of revenues is concentrated in a few commodities. The selected 18 commodities have been contributing an overwhelming proportion of excise revenue. Petroleum products is one of them; in 1960-61, the share of these commodities in the total excise revenue was 91 per cent. There are certain traditional commodities such as

sugar, matches and cotton fabrics, whose contribution to revenues has grown relatively slow. This fact reflects the anxiety of the government to keep the incidence of excise duties on articles of common consumption at a low level, with the exception of petroleum products the excises on which have grown fairly rapidly⁷ (Table V).

TABLE III

Contribution by Excise Duties and Total Tax Revenue as per cent of National Product

Years	National income at current prices	Total tax revenue†	Total revenue from excise duties
1950-51	9,503	357 (3.8)	68 (0.7)
1960-61	13,263	1,350 (10.2)	416 (3.1)
1970-71	34,476	4,752 (14.2)	1,791 (4.4)
1973-74	49,148	7,389 (15.0)	2,601 (5.3)
1975-76	61,900*	10,000* (16.1)	3,824** (6.2)

† Rebate to union, state governments, and union territories. * Estimated. ** Revised estimates.

Source: 1. India—1954, p 188

2. Reserve Bank of India, Report on Currency and Finance, 1952-53, 1961-62, 1972-73 and 1975-76.

3. Bank of India, Bulletin, Vol 14, September, 1976.

Note: Figures in brackets show percentage to national income,

TABLE V

Impact of Petroleum Products on Excise Revenue, Indirect Tax Revenue and Total Tax Revenue of Union Government

Years	Total tax revenue	Of which excise duties revenue	Of which revenue from petroleum products	Col 4 as per cent of col 2	Col 4 as per cent of col 3
(1)	(2)	(3)	(4)	(5)	(6)
1950-51	357	68	2.36	0.6	3.0
1960-61	411	145	26.11	6.3	17.9
1965-66	1,785	898	261.18	14.6	29.0
1970-71	3,207	1,759	608.18	18.9	34.6
1971-72	3,872	2,061	708.39	18.3	34.3
1972-73	4,510	2,324	767.42	17.0	33.0
1973-74	5,073	2,602	873.85	17.2	33.6
1974-75	6,322	3,269	1,010.57	16.0	30.9
1975-76 (RE)	7,470	3,824	1,030.00	13.7	26.9
1976-77 (BE)	7,837	4,085	1,080.00	13.9	26.4

Source: The author has computed this table with the help of: Reserve Bank of India, Report on Currency and Finance, 1958-59, p S56, 1961-62, p S57, 1966-67, pp 86-87, 1975-76, pp 106-107.

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1950-51 excise had yielded an amount of Rs 68 crores out of which Rs 2.36 crores has been contributed by the duty on petroleum products against the total tax revenues of Rs 357 crores. In the year 1955-56, i.e. after five years, the revenue from excise duties had increased by Rs 77 crores against the total tax revenue of Rs 411 crores. The ratios of revenue yielded by petroleum products to total tax revenue and total revenue from excise have changed from 0.6 per cent and 3.0 per cent to 6.3 per cent and 17.9 per cent during the period of 1950-51 to 1955-56. The contribution of petroleum products also has increased by Rs 23.75 crores during the period. There was an overall increase by 5.7 per cent and 14.9 per cent respectively. There was a revenue of Rs 416 crores from excise during the year 1960-61 against the total tax revenue of Rs 730 crores. The duties on petroleum products had contributed

Rs 101.07 crores against the total revenue from excise duties amounting to Rs 416 crores. Its per cent share to total tax revenue and revenue from excise duties had also increased to 13.8 and 24.2 per cent respectively against the share of 0.6 per cent and 3.0 per cent during the year 1950-51.

Up to 1970-71 there was an increasing trend in the per cent share contribution of excise duties yielded through petroleum products, i.e. the per cent ratios of the same to total tax revenue and revenue from excise have increased up to 18.9 per cent and 34.6 per cent respectively as against the per cent ratio of 13.8 and 24.2 respectively during the year 1960-61. From 1971-72 there was a decreasing tendency in the contribution made by petroleum products to total tax revenue and revenue from excise duties, i.e., the per cent ratios have decreased from 18.9 per cent and 34.6 per cent to

13.9 per cent and 26.4 per cent respectively during the period from 1970-71 to 1976-77(BE). Even then the present contribution of this commodity, is playing a major role in comparison to other 17 commodities covered by excise, in meeting the financial requirements of the government of India.

The revenue productivity of petroleum products among the commodities covered by excise and its per cent ratio to the total basic excise duties is given in Table VI.

This table reveals that during the year 1950-51 the revenue from petroleum products has contributed Rs 2.36 crores, i.e. three per cent to the total basic excise duties of Rs 71.50 crores during the year. The revenue from this source has increased to Rs 26.11 crores, and the per cent ratio to total basic excise duties has increased from three per cent to 17 per cent

TABLE VI
Revenue Productivity of Commodities Covered by Excise, along with per cent Ratio to total Basic Duties
(Rs crores)

Commodities	1950-51	1955-56	1960-61	1965-66	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76 (RE.)	1976-77 (BE)
Food & beverages	10.99 (15.0)	22.68 (15.0)	53.01 (14.0)	73.01 (9.0)	161.93 (9.0)	186.06 (9.0)	194.60 (9.0)	211.33 (9.0)	223.39 (8.0)	270.90 (8.0)	290.00 (8.0)
Tobacco	31.99 (43.0)	36.46 (24.0)	53.73 (14.0)	98.88 (12.0)	202.41 (12.0)	231.51 (11.0)	226.34 (10.0)	243.74 (10.0)	268.93 (10.0)	307.52 (9.0)	319.02 (9.0)
Petroleum products	2.36 (3.0)	26.11 (17.0)	101.07 (27.0)	272.78 (32.0)	608.18 (35.0)	708.39 (36.0)	767.42 (36.0)	873.85 (37.0)	1010.57 (35.0)	1030.00 (31.0)	1080.00 (30.0)
Vegetable oils, & fats	2.19 (3.0)	4.11 (3.0)	17.32 (5.0)	8.55 (1.0)	15.00 (0.9)	14.43 (0.7)	16.45 (0.7)	17.10 (0.8)	19.15 (0.9)	21.50 (0.6)	22.80 (0.6)
Chemicals	0.22 (0.2)	4.16 (3.0)	4.39 (1.0)	31.93 (4.0)	95.03 (5.0)	116.47 (6.0)	147.86 (7.0)	163.70 (7.0)	236.42 (8.0)	287.91 (9.0)	319.34 (9.0)
Metals	2.16 (3.0)	3.07 (3.0)	16.72 (4.0)	86.22 (10.0)	126.06 (7.0)	129.49 (7.0)	160.90 (7.0)	152.42 (7.0)	191.47 (8.0)	239.55 (7.0)	274.85 (8.0)
Manufactured goods	21.37 (28.0)	31.40 (20.0)	112.76 (30.0)	221.53 (26.0)	402.56 (24.0)	445.95 (22.0)	500.64 (23.0)	540.78 (22.0)	691.59 (24.0)	917.55 (28.0)	974.91 (28.0)
Machinery and transport equipments	0.22 (0.2)	1.25 (0.7)	15.08 (4.0)	42.54 (5.0)	86.36 (5.0)	110.61 (6.0)	127.50 (6.0)	154.46 (7.0)	208.03 (7.0)	218.25 (7.0)	233.18 (7.0)
Total basic duties	71.50	149.24	378.96	837.64	1694.43	1944.41	2143.89	2359.03	2861.31	3325.68	3549.10
Per cent variation in basic duties	—	109	434	1080	2286	2638	2920	3222	3930	4584	4898

Source : Computed by the author with the help of Reports on Currency & Finance, Reserve Bank of India, 1968-69, pp88-89, 1974-75, pp. S 102-103, 1975-76, pp. 106-107.

Note : 1. Figures in brackets showing the percentage to total basic excise duties.

during the year 1955-56. In 1960-61, the total yield from petroleum products was Rs 101.17 crores. It had increased by 24 per cent in respect to total basic excise duties. During the year 1970-71 when compared with 1950-51, it had increased by 33 per cent. This increasing trend in the revenue from petroleum products continued up to the year 1973-74 when it was 37 per cent. Since 1974-75 there was a decreasing tendency in the revenue productivity of the above commodity to the year 1976-77 (BE). The revenue earned from excise on petroleum products has helped to increase the total amount of basic excise duties from Rs 71.50 crores to Rs 3,549 crores i.e., the revenue has increased by 4898 per cent during the period 1950-51 to 1976-77. There was an overall increase in the amount realised by 4789 per cent.

Keeping in view the importance of petroleum products which yielded higher and higher revenues to the national pool, the Taxation Enquiry Commission in its report in 1953-54 stated: "We, therefore, consider that there is justification for increasing the duty by a substantial measure."⁸

In view of the above detailed analysis it may be concluded that in our fiscal system, excise revenue from petroleum products has come to play a dominant role. This has been the only item that has overwhelmingly contributed to mobilising revenues for the economic development of India. Heavy excise on petroleum products are justified in view of the need for economy in their consumption and for keeping down imports.

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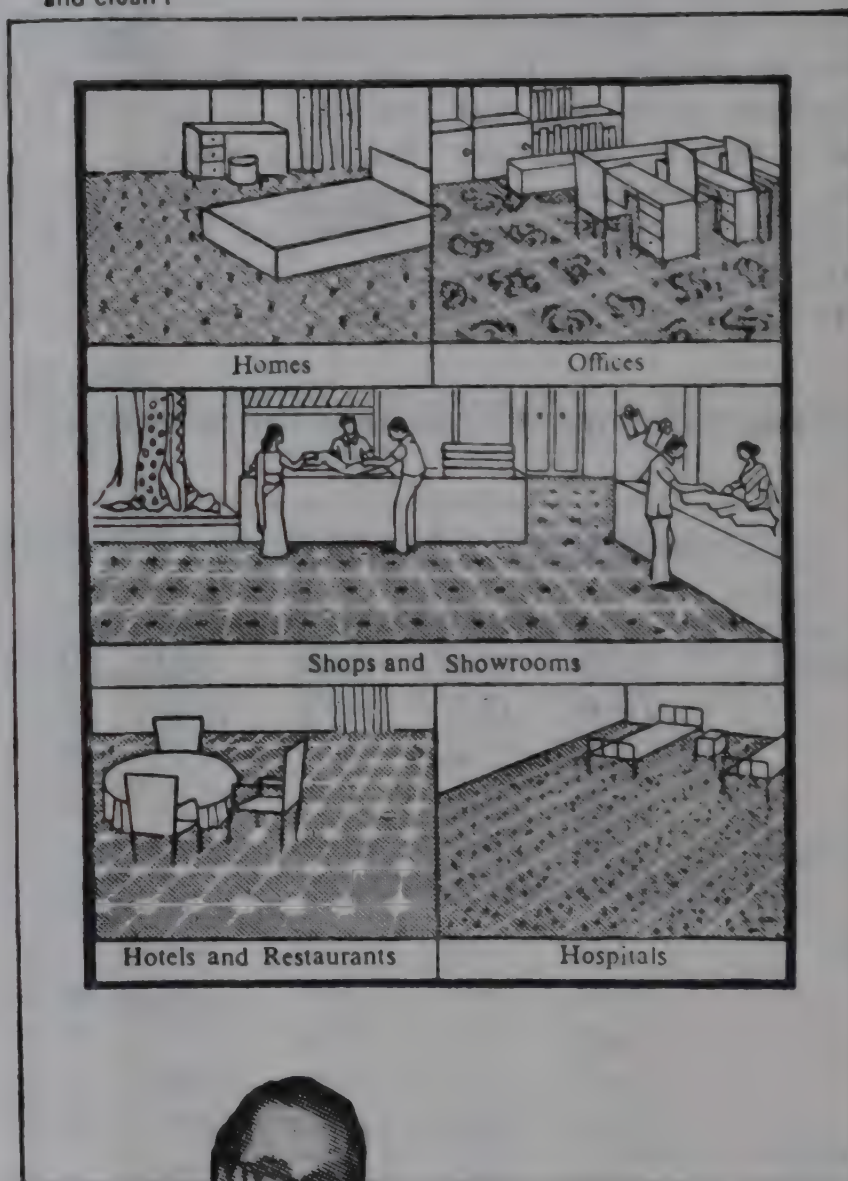
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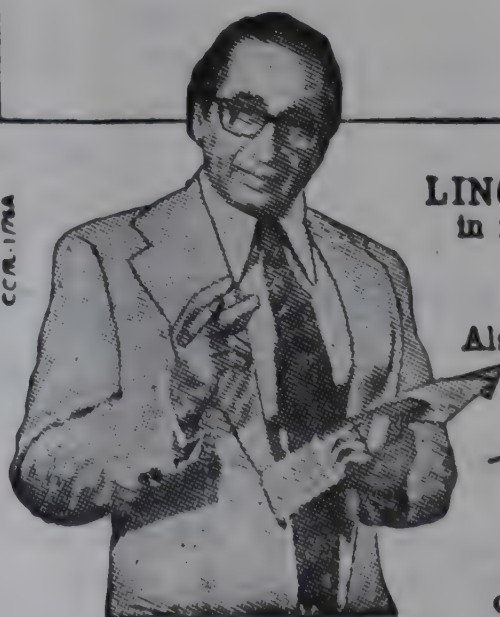
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Carter plan for energy

E. B. Brook

The self-denying ordinance of western countries on the consumption of oil did not last long. The Arab countries found their most useful allies from most unlikely quarters in the west who are opposed to building of atomic power plants. President Carter's programme to face the energy crisis will be to increase domestic coal output to more than 1,000 million tonnes by 1985. Some environmental standards may have to be lowered temporarily.

WHILE RUMOURS circulate in west Europe about a secret agreement between Saudi Arabia and Iran concerning the price of oil and a scenario of violent plot builds up in Stockholm as the date for the meeting of OPEC in that capital approaches, one factor has emerged with certainty on the delicate level of fuel and energy. On April 20, President Carter announced his comprehensive energy programme. It contains proposals that are likely to bring considerable changes in American living styles and plans to achieve a marked decline in American demand for foreign oil.

This factor is long overdue. When, in

with its consequent steep rise in building of atomic power stations, aroused those most unlikely to support the distinctly conservative Iranian and Arab governments to become their most useful allies in vigorously, physically and politically, opposing the spread of atomic power production under the useful and always commendable cover of protecting the environment. No scare story is easier to get published and, once published, more difficult to deny effectively than one suggesting insecurity at existing atomic plant or imminent dangers to health from those plants projected. Britain, France and West Germany are, at present, relatively

WINDOW ON THE WORLD

1973, the west Asian countries steeply raised its price for crude there was no lack of schemes, in the USA and elsewhere, to cut oil consumption and import. For a relatively short time—just long enough for the western nations to recover somewhat from their shock and outrage—there was a fall-off in the use of oil; even the USA for a time managed to reduce by a little its demands for west Asian and other crude. But the self-denying ordinances did not last long. The drive of industrial and commercial competition, the love of comfort and sheer stubbornness drove the west's oil indents up again.

Efforts by the more scientifically-minded governments and industrialists [to substitute for oil the use of atomic energy,

hamstrung in pursuing nuclear power plans by the strident opposition of those who would be the first to condemn the west Asia as reactionary and who at the same time keep the energy market clear for them by opposing nuclear power development.

The broad basis of President Carter's programme will be an effort to increase US domestic coal output to more than 1,000 million tons a year by 1985 from the present level of 655 million tons. Some environmental standards may be temporarily lowered if this can be achieved without a major public row. Strip mining operations, an undoubted defacement of the countryside, will be encouraged.

Tax proposals are being considered in

the USA to provide financial relief to companies forced to switch from natural gas to coal; direct subsidies may be considered for the purpose. Source of energy other than coal will probably be made more expensive to encourage—as far as possible, to force—the use of coal. A plan for phased decontrol of natural gas may lead to this gas becoming the most expensive of all fuels within less than a decade. Phased decontrol of American oil prices is also being considered. This may be extended over a longer period than decontrol of natural gas prices since relatively sudden decontrol of oil prices might prove to be inflationary. While, in face of conservationist objections, the US nuclear energy programme may be slowed, funds are likely to be made available for solar energy research at a much accelerated pace.

tax relief

Other energy conservation measures will be to oblige factories and homes to comply, possibly encouraged with some tax relief as a reward, to officially-fixed insulation standards to avoid loss of energy by heat leakage. While a general petrol tax may be considered too risky politically, a tax on cars using very large quantities of petrol would probably be acceptable.

The establishment of a 250 million barrel strategic oil reserve may be made obligatory, probably increasing to 500 million barrels by the end of 1980. With cooler relations between the USA and the Soviet Union fresh in American minds the establishment of these reserves may easily be accepted as a prudent precaution.

The general drive of the Carter programme will be to make American more conscious of the need for fuel economy and of the wisdom of buying less crude oil from abroad. The drive on car makers to concentrate on achieving a higher proportion of fuel-economy cars will be intensified. With unemployment declining to 7.3 per cent of the work force and the US national product rising by four per

cent Americans may well be in the mood to enjoy a certain amount of virtue by cutting their power expenditure. By the end of this year more Americans are expected to be working than has been the case for some time.

The effect of this American fuel economy on west European states may be more constructive than that of the fuel price rises four years ago. Britain is using more and more North Sea oil and natural gas from below that sea provides most of the gas burnt in Britain. The French, an oil-dependent state, is conscious that the slant of its foreign policy is determined by the necessity of remaining friendly with those who own crude. West Germany and the low countries, heavily dependent on export trade, and deterred in their atomic energy expansion by political agitation, must remain heavy importers of oil and gas but are on their toes for all measures of fuel economy. They will be eager, as far as politically feasible, to take Carter's energy-economy plan as a model. If they prove to be successful in the USA central Europe will be eager to follow American footsteps in this direction. The drive in Europe will be towards ever more fuel-economy cars and vehicles, economy through insulation while more countryside is likely

to be scrapped up for lignite. Meanwhile, governments' fight with the conservationists will continue; a little less public hysteria over nuclear power would be a great help in confronting west Asian crude producers who seek higher prices.

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A development of considerable interest to the tobacco producers in India is the new tobacco legislation in Britain. India supplies a considerable proportion of the tobacco bought by Britain; it sends far less to the rest of the Common Market. An effort to increase India's share in supplies to West Germany and other continental members of the Market was made recently by the Tobacco Board at a symposium at Hyderabad. But the British market appears likely to become even more valuable to India, especially for its cheaper leaf, because, within two months, flavourings will for the first time, become legal in tobacco manufacture. The flavourings will help overcome most of the flavour defects in cheaper leaf, although India is increasingly producing quality leaf of various types, many of which appeal to areas other than Britain and may find a welcome, if prices are suitable, in the valuable West German tobacco market which at present draws

its supplies largely from South America, eastern Asia and Indonesia. The flavourings development in Britain should not encourage production of lower quality leaf but may provide a market for leaf lower down the plant stem that at present sell at lower prices owing to their poorer flavour.

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It is, one hopes, too early to write off the UNCTAD efforts to persuade the industrialised nations to agree to a common fund to help stabilise commodity markets, but the failure at Geneva at the beginning of this month was sourly disappointing. One fears that many formulae and much patience will be needed before the project gains acceptance from the western states that really matter in commerce. It would be pleasant to think that lower prices for industrial power would lead to a change of heart but experience compels one to the conclusion that human self-interest is a more powerful compellent even than cheap power, lower tariffs and all the other aims which man has sought in Geneva through GATT and other bodies. The 'north-south dialogue' in Paris resumes shortly in a tense and uncertain atmosphere with none of the negotiators in as good a position as any of them would like to occupy.

Nigeria: rapid growth through oil boom

With its largely undeveloped market potential, Nigeria offers many business opportunities to foreign exporters as well as investors. Nigeria recorded the strongest economic expansion of all developing nations of Africa, according to a country study made by Union Bank of Switzerland. The real growth of GNP amounted to an annual average of ten per cent in the last five years.

IN THE past few years, Nigeria has become the fourth largest oil producing country among the OPEC nations. The extraordinarily fast development of its oil production made possible an enormous upswing of the country's economy. With real growth of the GNP amounting to an annual average of 10 per cent in the last five years, Nigeria recorded the strongest economic expansion of all developing nations in Africa. The rapid growth was, however, accompanied by considerable structural shifts in the economy. This is illustrated very clearly by the fact that the share of agriculture in the GNP,

which still amounted to 44 per cent in 1970, dropped to 23 per cent in the last five years, while that of the oil sector increased in the same period from 14 per cent to 45 per cent. Nevertheless, about two thirds of the country's labour force still work in agriculture, while the oil sector employs merely 0.4 per cent. Agriculture therefore continues to provide the economic base for the great majority of Nigeria's population.

Thanks to strongly rising oil revenues which amounted in 1974-75 (April-March) to about US \$6.7 billion and in 1975-76 to an estimated US\$ 7.3 billion, funds requir-

ed for expansion of the infrastructure could be made available. But the steep increase in imports linked with the start-up of the third development plan (1975-80) and a simultaneous drop in oil exports resulted in a decline in the balance of trade surplus to US\$ 3.2 billion from US\$ 7.3 billion in 1975. Since oil production was stepped up by about 15 per cent last year, the balance of trade should show considerable improvement over 1975. Consequently, the funds which are necessary for the successful realisation of the development plan are largely assured.

The most important goals of the third national development plan (1975-80) are a rise in the living standards of broad segments of the population and accelerated diversification of the economy which is still mainly oil-oriented. This should furnish a basis for the productive capacity

of economy when oil reserves have been depleted. The plan envisages real growth of the GNP of 9.5 per cent a year up to 1980 which, at an estimated annual population increase of 2.5 per cent (population in 1976: about 65 million) should make possible an annual rise of seven per cent in real per capita income. Total investments were estimated at 30 billion Naira (1 Naira=US\$ 1.6), with 20 billion Naira being provided by the public sector.

Special attention is being devoted to the development of agriculture, with emphasis on state-owned large-scale enterprises and irrigation and research projects. Foreign partners are welcomed in agro-industrial companies, but foreign participation in individual enterprises is limited to 20 per cent.

state control

About 70 per cent of investments in mining are accounted for by the oil sector which is controlled by the Nigerian National Oil Co (NNOC) through majority holdings in foreign oil companies. Revenues from oil exports are planned to be increased by about 65 per cent to 10.6 billion Naira by 1980.

The largest part of investments is being spent on infrastructure projects. Three hundred towns and villages are to be supplied with electricity and 50,000 kilometers of roads and 960 kilometres of railroad lines are to be constructed or extended. Inadequate port facilities will be expanded to avoid long waiting periods — sometimes stretching into months—for unloading ships. A new postal and telecommunications network is also being built which will include 500,000 new telephone connections.

Considerable difficulties must be overcome in the realisation of these ambitious goals. For example, the inflationary increase in prices which at the beginning of 1976 amounted to about 25 per cent compared to the year before, could substantially raise costs of the planned investments. Furthermore, the transportation system is still not efficient enough and harbour capacities are inadequate; this will cause bottlenecks for urgently needed capital goods which must be imported. The lack of qualified workers is also making itself felt. To avoid putting a

strain on the labour market, more foreign workers are to be employed.

Nigeria has a "mixed" economy. The so-called "Nigerianization" of the economy was started in 1972 with the Nigerian Enterprises Promotion Decree. The aim of this law is to discontinue or at least to restrict foreign participation in certain sectors of the economy. The greater part of the country's economic potential will therefore come under increased control of Nigerian capital.

The government is also acquiring holdings in privately-owned companies to a growing extent, particularly in key industries. But in general, the authorities aim at influencing the development of the economy by market-conforming means. Since 1972, three lists have been drawn up containing the sectors in which the share of Nigerian capital must amount to 100 per cent, 60 per cent and 40 per cent, respectively. In spite of these measures, foreign participation in newly established companies is possible, particularly in the export industry. To make investments more attractive for foreigners, such companies are given "pioneer status" which involves tax and other types of relief.

The generally outmoded methods of cultivation and the inadequate transportation systems linking agricultural areas with the rest of the country have made it impossible for Nigeria to match its farm production to the growth in population.

Although large amounts of grain, meat and milk products, for example, must be imported each year, Nigeria possesses the climatic conditions essential for virtually all tropical crops, such as cacao, peanuts, palm oil, cotton, rubber and timber as well as rice, millet, sorghum and yam beans. An agricultural mono-crop system, as is typical of many other developing nations that depend on exports, therefore does not exist in Nigeria.

The so-called "Marketing Boards" play a central role in the sale of farm produce. They buy agricultural products at fixed prices from the farmers, although processors can sell their merchandise on the free market. Stimulus to agriculture, in the interest of making the nation self-sufficient, is being provided by the huge increase in the fixed prices that was recently announced by the government. The development plan also calls for a rapid changeover to modern and efficient farming methods, which should help to eliminate the strong fluctuations in production that have occurred in the past.

At five per cent, the contribution of industry to the GNP is relatively small compared to 23 per cent for agriculture and 45 per cent for oil. The reason for this is that up to the beginning of the development plan in 1975 the industrial sector was concerned mainly with supplying consumer goods to the domestic market with the principal industries still being

TABLE I
Nigerian Investment Programme: 1975-80

Sectors	Public investment		Investment		Total investment	
	Mill N ¹	Share in %	Mill N ¹	Share in %	Mill N ¹	Share in %
Post office and telecommunications	5,500	27.5	500	5.0	6,000	20.0
Industry and trade	3,800	19.0	2,000	20.0	5,800	19.4
General services	2,000	10.0	1,000	10.0	3,000	10.0
General administration	3,000	15.0	—	—	3,000	10.0
Construction	—	—	2,700	27.0	2,700	9.0
Agriculture	1,300	6.5	1,200	12.0	2,500	8.3
Mining	1,400	7.0	1,100	11.0	2,500	8.3
Wholesale and retail trade	100	0.5	1,400	14.0	1,500	5.0
Education	1,500	7.5	—	—	1,500	5.0
Public utilities	1,000	5.0	—	—	1,000	3.3
Health	400	2.0	100	1.0	500	1.7
Total	20,000	100.0	10,000	100.0	30,000	100.0

¹Average 1975 exchange rate; 1 Naira = US\$ 1.60 = Fr 4.13

those manufacturing foodstuffs, textiles and agricultural and forestry products. Although these sectors account for about 50 per cent of total industrial production, certain areas of the chemical and metal processing industries are also important. Supported by the Nigerian Enterprises Promotion Decree, the aim of the development plan is to promote industries that will make the nation less dependent on imports. Foreign partners are not excluded from participating in this process, which focuses on the development of the oil, iron and steel, non-ferrous metals, petrochemical and automobile assembly sectors. Many large projects are under way or nearing completion, and if the planned yearly growth rate of 15 per cent (1975: 22.5 per cent) can be realised, industrial production should almost double by 1980.

In recent years, oil exports have risen sharply as have imports (due to the development plan). In 1975, the value of exports was, at nearly 5 billion Naira, six times higher than in 1970. In addition to oil, which accounts for 93 per cent of the value of exports, cacao, peanuts, palm oil, cotton, rubber and timber are shipped abroad. In 1975, Nigeria's most important customers were the United States (29 per cent of exports) and Great Britain (14 per cent).

rise in imports

Between 1970 and 1975, imports have increased about five-fold to reach 3.7 billion Naira in 1975. The main import products are machinery, transportation equipment and finished and semi-finished goods. In 1975, imports of capital goods needed for the development plan came to more than twice the 1974 figure, while the poor inland agricultural supply situation called for an increase in foodstuff imports of around 90 per cent.

Switzerland's export industries have strengthened their market positions in Nigeria considerably over the past few years, with Swiss exports rising from Fr 18 million in 1970 to about Fr 280 million in 1976. The principal Swiss exports to Nigeria are machinery, aluminium, pharmaceuticals, dyestuffs and other chemical products as well as watches and foodstuffs.

In the period from 1970 to 1976, Swiss

imports from Nigeria increased from Fr 24 million to approximately Fr 220 million. Apart from tropical farm produce, the main import is oil. In 1976, Nigerian oil covered an estimated 20 per cent of Swiss needs.

With its largely undeveloped market potential, Nigeria should be able to offer foreign exporters and investors many business opportunities in the future. This applies to both consumer as well as capital goods. In the period from 1975 to 1980, the development plan alone calls for an increase in imports from 3.1 billion

Naira to 7.1 billion Naira (about Fr 28 billion), which should also open new markets for Swiss exporters. Despite a greater trend toward "Nigerianization" of industry, investors too, have opportunities to participate by way of joint ventures in the many large-scale development projects scheduled and in progress. In view of the fact that the financing of these projects is virtually guaranteed—Nigeria's oil reserves should last another 30 years—the markets of this nation will become even more attractive in the future.

TABLE II
Selected Data on Nigeria's Economy

		1973	1974	1975	1975 vs 1974 in %
Population	Mill.	59.7	61.3	62.9	2.6
Area	Mill. kms	0.923	—	—	—
GNP	Mill. N	9,120.0	—	—	—
Real GNP growth	vs. previous year (in %)	11.8	9.5	9.7	—
Consumer price index	1970=100	126.5	142.2	190.1	33.7
Industrial production	1970=100	124.8	135.8	166.4	22.5
Oil production	Mill. t	98.0	107.4	85.1	—20.8
Foreign Trade					
Total exports	Mill. N	2,278.4	5,794.8	4,779.8	—17.5
Crude oil	Mill. N	1,893.5	5,365.7	4,421.5	—17.6
Farm products	Mill. N	112.4	159.0	180.6	13.6
Peanuts	Mill. N	45.5	6.8	0	—
Peanut oil	Mill. N	23.6	11.4	0.2	—
Rubber	Mill. N	19.4	33.2	15.2	—54.2
Palm hearts	Mill. N	18.9	43.7	18.2	—58.3
Timber	Mill. N	14.0	14.0	4.6	—67.1
Others	Mill. N	151.1	161.0	139.5	—13.3
Total imports (cif).	Mill. N	1,234.0	1,737.3	3,733.8	115.0
Machinery and transport equipment	Mill. N	495.9	611.8	1,580.4	158.4
Finished and semifini- shed products	Mill. N.	324.3	523.4	1,009.3	92.8
Chemical products	Mill. N	133.3	191.0	332.0	73.8
Food	Mill. N.	126.5	154.8	295.4	90.8
Others	Mill. N	154.0	256.3	516.3	101.4
Imports from Switzerland	Mill. Fr.	85.8	120.9	297.8	146.3
Exports to Switzerland	Mill. Fr.	85.4	265.9	213.4	—19.7
Balance of Payments					
Net trade balance	Mill. US\$	+1,943	+7,291	+3,220	—
Net balance on current account	Mill. US\$	—8	+4,896	+259	—
Net balance on capital movements	Mill. US\$	+257	—69	+187	—
Monetary reserves	Mill. US\$	583	5,626	5,803	—
Average exchange rate (yearly average)	1 Naira = US\$	1.520	1.622	1.595	—

Source: Union Bank of Switzerland

In countries where politics is still at that stage where differences or dissent invite physical restraint, it is well understood among political activists that imprisonment is often part of the game and a ministership a matter of the luck of the chase. A few of the leading politicians detained during the emergency are now in the central cabinet. For some of them their ministership means very little or, perhaps, nothing at all. For some others, however, it may be a prize they value or even the fulfilment of life-long ambitions. Quite possibly there may be among these ministers those who are now prepared to call it quits. Should this mood carry the day, the result would be a gross betrayal of the *janata*. Mr C.G.K. Reddy's powerful article in the *Indian Express* of April 16 on The Guilty One and her men is therefore a blow dealt in the cause of the people. Although he has written out of a deep sense of the wrong done to him and those whose suffering has been painful to him personally, he has also spoken for those thousands of individuals or families who suddenly found themselves without the protection of civilization and had to live with the menace of this deprivation for 20 tragic months.

Mr Reddy writes: "When I am told now to forgive and forget all that tyranny and evil that was let loose and the gross injustice that was done to our people, I get very angry". Unfortunately, the anger of wronged individuals or of even a wronged people is not by itself compelling enough to ensure that justice is done. This anger has to clarify into a demand for the right means of vindication if it is to be consummated in its proper denouement of a classic Greek tragedy.

Already the intimations of flabbiness in the government's decision to wait for the findings of a commission of inquiry is giving encouragement to many of those who were close to the centre or centres of

tyranny to pose as the hapless henchmen of powerful over-lords whom they could not defy and yet hope to live to fight another day. The performance of Mr B.D. Gupta at the meeting of the Congress working committee was particularly contemptible. It is intolerable that this shameless man should continue to be the chief minister of a state. On his own admission, he allowed Mr Bansilal, the Defence minister in New Delhi, to order the government of Haryana about for personal ends. His defence was that he did so in order to keep his job which was in daily jeopardy. Can there be any better reason for his job being now taken away from him?

Mr Siddhartha Shankar

Ray cut an equally sorry figure. He should at least have known that the occasion was hardly appropriate for recalling his illustrious ancestry. He did a bad turn to names notable in the freedom struggle. Mr Ray has a lot to explain or explain away. The state government over which he presides had held more political prisoners in detention without trial than any other state government and has done this over a longer period. His very personal role in the counsels of Mrs Gandhi during the political developments attendant on the judgment of the Allahabad high court on Mr Raj Narain's election petition has been the subject of extensive speculation. There have also been rumours about the part suspected to have been played by him in Mrs Gandhi making up her mind to gamble on the emergency. Until all the facts are brought out on record and analysed, most of us must find it difficult to buy the Ray line that he is entitled to cast the first stone or, indeed, any stone at those who have been so far firmly identified as Mrs Gandhi's principal counsellors of evil.

Meanwhile, for Mr Ray to plead his personal loyalty to Mrs Gandhi is not enough. After all, he has not found it too difficult

now to conclude that there can be too much of this loyalty. Objectively, of course, Mrs Gandhi's need of loyalty is, if anything, greater at this point in her life or political career than what it was when she was prime minister and could summon Mr Ray to Delhi by the first available plane.

As Mr L.K. Advani

has put it, there were three categories of journalists during the emergency: those who stood up boldly with a straight back and resisted the curbs and pressures imposed on the press; those who fell in line because they felt that it was impossible for them to resist; and those who, when asked to bow, were only too willing to crawl. It is on record which journalists came under which category. The files of the now defunct chief censor's office, for instance, should have some of this information. But a good deal more of it had a more ethereal existence—for instance, in the bullying or blackmailing phone calls of Mr V.C. Shukla of infamous memory to people connected with the managements of certain newspapers or periodicals.

I should perhaps add that a few of the journalists in the first category would have carried their confrontation even further than they did, irrespective of the certainty of losing their livelihood or liberty, had the physical means of professional expression been open to them without the limitation imposed by the reality that they owned neither the newspapers or periodicals they served nor the presses where those publications were printed. Subject to this constraint, they went as far as they could by stretching managements' willingness to cooperate in brinkmanship. Fortunately, some of them did find this cooperation forthcoming to a gratifying extent. Mr Shukla should easily know what I am driving at.

Mr Advani says that he does not blame "his" second category of journalists, while he is sorry for the third. His tolerance in the one case is admirable and his generosity in the other amazing. I should have said that the second category ought to be sorry for itself and the third have the decency to lie low at least for some time to come.



MOVING FINGER

TRADE WINDS

Cabinet Secretariat Reorganised

THE CABINET secretariat has been reorganised. At the instance of prime minister, Mr Morarji Desai, the department of Personnel and Administrative Reforms of the cabinet secretariat, which controls the civil services, is being attached to the Home ministry while the department of Revenue Intelligence, sliced from the Finance ministry in 1970, has been returned to it.

Along with the cabinet secretariat, the prime minister's secretariat is also being divested of its various policy-making cells to limit its functions to actual assistance to the prime minister in administrative and other matters of national importance. The cells will now be attached to their respective parent ministries. The scope of the Research and Analysis Wing (RAW) is also being curtailed to national security matters only. RAW is being attached to the cabinet secretariat though earlier it functioned independently with responsibility only to the prime minister.

Gold Price

Standard gold in Bombay scaled a fresh peak of Rs 624 for 10 gm on April 16. Last year, it had touched a high of Rs 564 during the week-ending February 27. The main reason for the spurt is stated to be persistent buying by speculators, ornament makers and investors. Reports that the US government does not intend

to sell further gold even though the rate has crossed the level of \$150 an oz. have bolstered the sentiment further. The feeling has been helped further by the reported pledge by top smugglers to Mr Jaya Prakash Narayan to give up smuggling altogether.

ITDC

The Chairman of India Tourism Development Corporation Ltd, Gen J.T. Sataravala, stated recently that most of the corporation hotels earned record profits during 1976-77 and the Ashoka Hotel in Delhi—"ITDC's flagship"—made a profit of Rs 1.11 crore against Rs 93 lakh in the previous year. Its turnover increased to Rs 5.36 crore from Rs 4.65 crore. Providing the working of the ITDC hotels during 1976-77, he stated that provisional figures show that the turnover touched an all-time high of about Rs 18 crore against Rs 15 crore in 1975-76. The profit before tax was Rs 1.40 crore, more than 100 per cent over that of the previous year. The previous year figure was Rs 59.97 lakhs. The corporation proposed a dividend of 2.5 per cent for the third year in succession. Estimated foreign exchange earning was of the order of Rs 8 crore and internal resources raised were at Rs 3.25 crore against Rs 2.19 crore in the previous year.

Improved performance of ITDC was due to better promotional and marketing efforts

which brought in higher occupancies, improved operational efficiency and cordial industrial relations. The four other ITDC hotels in Delhi also made record profit. Akbar increased its profit from Rs 20 lakhs to Rs 27 lakh, Janpath from Rs 18 to Rs 26 lakhs, Lodhi from Rs 5.86 lakh to Rs 9 lakh and Ranjit from a marginal profit of Rs 66,000 to an impressive figure of Rs 5.25 lakh. The Qutab Hotel, however, continued to make a small profit.

Outside Delhi, three hotels had come out of the red and they were Varanasi Hotel which suffered a loss of Rs 2 lakh in 1975-76 made profit of Rs 4 lakh in 1976-77, Khajuraho converted its loss of over Rs one lakh to a profit of Rs 2.25 lakh. Hassan Hotel in Karnataka turned the corner with a nominal profit of Rs 20,000 against a loss of under Rs one lakh in the previous year. The new hotels at Kovalam, Airport Hotel, Calcutta, and expanded Ashoka Bangalore reduced their losses considerably and so did Kovalam Grove, Temple Bay Mahabalipuram and Jammu Motel. Luxmi Vilas Palace in Mysore were close to breaking even.

Remarkable Achievement

Speaking on the duty free shops, the General Sataravala stated that the company had done remarkably well and the profit has risen from Rs 27.49 lakh to almost Rs 32 lakh, which is a record. The transport services also showed financial improvement and losses had been reduced from Rs 16.85 lakh to Rs 13 lakh. The transport fleet was being strengthened with India-made air-conditioned coaches. Even the sound and light show increased its profit to Rs 1.60

lakh, twice as much as in the previous year.

Bharat Pumps and Compressors

Bharat Pumps and Compressors Limited, was able to double its production during 1975-76 compared to the previous year. The actual production by the company was valued at Rs 4.87 crores. The sales, including site erection works, totalled Rs 2.61 crores during 1975-76. This was the value of the sales of products manufactured by the company itself. They also sold gas cylinders worth Rs 2.51 crores during 1975-76 which were imported by the company. The company has already started production of welded cylinders at Naini, Allahabad. They are also starting the manufacture of medical and industrial type oxygen cylinders from seamless tubes. The company had set production target for Rs 9.35 crores for 1976-77. It is expected that this level of production would be attained by the company.

Consultants for West Asia

The Federation of Indian Export Organisations (FIEO) has sent a four-member consultants delegation to Oman, UAE, Saudi Arabia, Kuwait and Iraq for a period of 26 days. The delegation was led by Dr N.P. Agarwalla, manager of Business Development, Engineers India Limited, New Delhi. The other members of the team were Mr O.P. Gupta, president, Desein (New Delhi) Pvt Ltd, New Delhi, Capt K.C. Saigal, chairman and Adviser, Eastern Bulk Services, New Delhi and Mr D.R. Calra, FIEO as member-secretary. The team which left on March 28, is first of its kind to visit petro-dollar countries.

The team would try and

project the present status and capabilities of Indian consultancy firms to the buyers of consultancy services in these countries as well as bridge the information gap that exists in respect of the services. The team is planning to discuss with various procurement agencies and buying organisations, governmental as well as private—in each of these countries and would try to establish long-term and lasting contacts. The team would also try, wherever possible, to conclude firm contacts.

Texmaco Exports to Malawi

The first order for hydraulic structures received by India from Malawi has been secured by Texmaco Limited, an engineering unit from Calcutta. The order is worth Rs 1.7 crores and is for the design, fabrication, supply and installation of various types of sophisticated gates and hoists for barrage on Shire river in Malawi. Last year Texmaco had received an order from Philippines for an ADB financed hydro-electric project for bulk head gates. This was also the first of its kind.

Indo-Pakistan Trade

Trade between India and Pakistan is expected to diversify and expand in the coming years. India has expressed its willingness to buy more items after these are identified so that the flow of goods becomes really beneficial to the interests of both the countries. In the meantime, problems in regard to congestion in rail transport and customs procedures will be solved on a priority basis in order to facilitate movement of goods. Experts from rail and road transport agencies from both sides will meet soon to sort out problems. These are some of the agreement

signed recently after the two delegations reviewed trade exchanges in New Delhi. The Indian delegation was led by Dr P.C. Alexander, Foreign Trade secretary. The Pakistani team was headed by Mr Ejaz Ahmad Naik, secretary for Commerce.

Mr Naik told a press conference after the signing ceremony that his delegation had offered to supply industrial alcohol, gypsum, rock salt, dry and fresh fruits. The Indian delegation, he said, agreed to examine the list. He explained that Pakistan could not export raw cotton to India in 1976 because of shortage.

There were also possibilities of exporting rice, another traditional item. In 1975, Pakistan supplied raw cotton to India while imported pig-iron and bidi leaves. In 1976, major items of Pakistan's import included tea, iron and steel products, wood and timber and electrical conductors. Cement import would start soon, he added.

Confectionery Manufacturers Meet

Confectionery manufacturers have called upon the government to withdraw excise duty on confectionery. Alternatively, it has been suggested that duty drawback be granted on various raw, packing and wrapping materials "in the interest of the very survival of this industry." Delivering the presidential address at the annual general meeting of the Indian Confectionery Manufacturers Association, Mr M.G. Sathe stated that in the present circumstances sizeable exports of confectionery were not possible. However, a breakthrough in exports could be possible if confectionery factories were placed on par with their foreign counterparts in so far

as prices of major raw materials and packaging was concerned. Mr Sathe noted with concern that a number of units had gone out of production while remaining units had to resort to heavy retrenchment and long lay off of workers. Ever since the impost of 10 per cent ad valorem excise duty was levied in the 1974-75 budget the industry had been facing a crisis. It had already been faced with large idle installed capacity of nearly 60 per cent owing to limited demand for its products due to higher prices.

Premier Auto Price

Premier Automobiles, producers of Premier Padmini, has jacked up ex-factory price of its car by Rs 677 to Rs 22,752. Premier Padmini now costs Rs 31,854 on road in Bombay against Rs 31,092 earlier. The price increase is a sequel to the failure on the part of ancillary suppliers to reduce their prices as expected when overall car price was reduced by about Rs 4,000 in March 1976 according to a spokesman of the company. This anticipation of a reduction in cost of components has not materialised. On top of it, other manufacturing costs and wages have increased considerably in the past one year. The management has, therefore, put up the price to offset the cost escalation.

Board of Directors for Indian Iron

A new board of directors has been constituted for the Indian Iron & Steel Co Ltd, with effect from March 28, 1977. Management of Indian Iron & Steel Co Ltd (IISCO) was taken over by the government on July 14, 1972. On July 17, 1976 the central government acquired shares held by the public by an act called the

Indian Iron & Steel Co Ltd (Acquisition of Shares Act) 1976. With acquired acquisition of public shares, the company became a government company. The new board of directors replaces the board of management of the company. The new board of directors comprises of the following members:

1. Mr V.K. Dar, Managing Director (erstwhile administrator)
2. Mr S.D. Prasad, Addl Secretary, Deptt of Steel, Ministry of Steel and Mines.
3. Mr R. Ganapathy, Jt Secretary, Deptt of Steel, Ministry of Steel and Mines.
4. Mr S. Rangarajan, Managing Director, Life Insurance Corporation of India.
5. Mr Gopeshwar, General Secretary, Indian National Metal Workers' Federation.
6. Mrs Roma Mazumdar, Commissioner and Secretary, Deptt of Industries and Commerce, govt of West Bengal.
7. Mr C. Balram, managing director, Western Coal Field.
8. Mr P.K. Paul, managing director, Hindustan Steel Ltd
9. Mr C.R. Sen Gupta, general manager, Industrial Development Bank of India.

Steady Progress

Since the take over of management of the company by the government in 1972 there has been a steady progress all round. Production of saleable steel has increased from the level of 13 per cent of rated capacity in 1972-73 to about 67.5 per cent in 1976-77. During the next year rated capacity utilisation of 85 per cent is anticipated. As much as 5,40,000 tonnes of targeted saleable steel was produced during 1976-77. During the year 1976-77 there was an increase of about 11 per cent in sales as compared with 1975-76. Export of steel accounts for

80,000 tonnes during the year 1976-77. Production of iron ore and coal has also registered an increase during the year 1976-77 over the previous year inspite of non-working of the under-ground mine at Chasnalla after the tragic accident in December 1975. During the current year, the government provided financial assistance to the tune of about Rs 33 crores. Welfare activities are receiving special attention and a project for providing 1,400 workers quarters is in progress.

Compensation Issue in IISCO

Many enquiries have been received in the office of the Commissioner of Payments (IISCO) enquiring whether persons who have inherited shares of the Indian Iron & Steel Co Ltd, but who were not able to register themselves in the books of the company can claim compensation under Section 7(1) of the Indian Iron & Steel Co (Acquisition of Shares) Act, 1976. It is clarified that such successors to persons who were registered shareholders as on July 17, 1976 (date of vesting) but who have died either before or after July 17, 1976 be entitled to claim compensation under the said Act.

In order to enable such persons to claim compensation, the government has modified its earlier notification which has prescribed November 1, 1976 as the date for such applications. In its revised notification of March 3, 1977 it has been notified as the prescribed date under Section 7(1) of the Act. Such claimants can now apply for compensation within thirty days from March 31, 1977. Their applications should be addressed to the Commissioner of Payments, C/o Secretary, Indian Iron & Steel

Co. Ltd, IISCO House, 50-Chowringhee Road, Calcutta-700071. They will however, be required to submit the following documents: (1) Death certificate issued by the Municipal authorities or other body authorised to issue such certificate (in original); (2) Probate of the will or letters of administration granted by a competent court or succession certificate granted by a competent court or a certificate issued by the administrator general (in original); (3) attested signature (s) of the claimant(s) by a Notary Public or a magistrate or a scheduled bank; (4) Share scrips for which compensation is being claimed, along with their applications—in short, all documents which are required to be submitted by them for mutation of their names under the Companies Act, 1956. One copy each of the documents at (1) and (2) above should also be enclosed with the application so that the original can be returned to them after examination.

Registered shareholders who could not submit their applications earlier under the previous notification can also take this opportunity to apply for compensation in the forms (in duplicate) already prescribed for them also within thirty days from March, 1977. Their applications should however be submitted to the Commissioner of Payments (IISCO), C/o Iron & Steel Control, 234/4 Acharya Jagadish Bose Road, Calcutta-700020.

Air Cargo Complex at Ahmedabad

The government has agreed, in principle, to the establishment of an integrated air cargo complex at Ahmedabad airport. This was announced by Mr P.K. Kaul, additional

secretary, union ministry of Commerce at a high level meeting in Ahmedabad recently. The announcement followed a detailed discussion on the viability of an integrated air cargo complex at Ahmedabad airport.

The meeting also appointed a group under the chairmanship of Mr S. J. Coelho, Gujarat Secretary for Industries, Mines and Power to work out a detailed plan for making the cargo complex operative from August 15, 1977. Mr Kaul, who presided over the meeting, suggested that the Customs Collectorate may consider the question of providing clearance facilities at the Ahmedabad airport in respect of certain additional items like commercial samples, ice cream, fresh fruits and green vegetables, live plants, betel leaves, processed foods, books and periodicals and tender documents etc.

Clearance Facilities

Mr D.N. Mehta, Collector, Customs and Central Excise, Ahmedabad, announced that customs clearance facilities would now be available for textile made-up articles like bed sheets and pillow covers. He also announced that consignments after customs clearance at Ahmedabad would be permitted to be cleared for export from Delhi in addition to the existing arrangements via Bombay. This meeting was attended, among others, by Mr S.J. Coelho, Secretary for Industries, Gujarat, Mr R.K. Puri, Director, Union Ministry of Commerce, WG. Commander Mr M.K. Bajpai, Director, International Airports Authority of India, Mr V.K. Gupta Dy. Secretary to Central Board of Excise and Customs, Mr B. Raval, Managing Director, Gujarat Export of Com-

merce and Industry, and senior officials of government of Gujarat, Air India, Indian Airlines, Export Promotion Councils and various other trade interests.

Names in the News

Mr H. Holck-Larsen who retired as chief executive of Larsen & Toubro with effect from April 1, 1977, has agreed to continue to serve as chairman of the board of directors of the company.

Grindlays Bank Ltd has announced the appointment of Mr G.W.W. Cunningham as General Manager, Western India, in place of Mr A. Dayal who has been transferred to the bank's head office in London. Mr Cunningham joined the bank in 1957 and served in Aden, Sri Lanka, India and East Africa and in 1972 was put in charge of the corporate planning of the bank's overseas business. His recent assignment was in Manila where he was Senior Vice President representing Grindlays' interests in the Philippines.

Mr Ashok Kumar Jain, President, Rohtas Industries Ltd, was unanimously elected president of the Cement Manufacturer's Association for the year 1977 at its annual general meeting held recently. Mr B.V. Raju chairman of Cement Corporation of India, was elected vice-president.

Mr Ajit S. Gopal of Indian Airlines has been unanimously elected Chairman of the Public Relations Society of India Delhi Chapter at the annual general meeting held recently in New Delhi.

Mr V.K. Saxena of ISI and Mr N.D. Rajpal of Alembic Chemical have also been elected as Honorary Secretary and Treasurer respectively of the Society.

COMPANY AFFAIRS

ICICI

IN HIS annual statement Mr H.T. Parekh, the chairman of Industrial Credit and Investment Corporation of India Ltd, made a specific reference to the unhealthy state of the capital market and the adverse impact of the poor response to equity issues on promoters particularly of new projects in particular and joint sector ventures in general. This situation, Mr Parekh said had inevitably affected the industrial investment so adversely that the situation calls for reviving investors' interest in equity capital.

In this context the chairman has put forward several suggestions. As for as deposits with banks are concerned, Mr Parekh said, some adjustment can be considered in the interest rates on long-term deposits. Simultaneously in order to make investment in equity more attractive the chairman emphasised that the tax incentive in the form of additional exemption on dividend income and relief in tax on capital gains could be provided to individual investors in equity capital. Rationalisation of interest rate structure and the pattern of yield, according to Mr Parekh, are only some elements of the economic strategy conducive to growth with price stability. A sizeable step-up in investment outlays, the chairman emphasised, is equally an important constituent of the development strategy.

The chairman also pleaded

for a sizeable increase in exports especially for promotion of high value added items. To achieve this end the chairman called for adoption of a pragmatic approach in regard to the import of technology and equipment for export production on the one hand and the need for developing suitable export marketing strategies on the part of the industry on the other.

Exports by themselves, according to the chairman, cannot sustain growth. In order to boost economic activity, in addition to public sector investment, the chairman said, stimuli from other domestic areas of activity will have to be provided. Construction is one such area which can play an important role in the revival of economic activity. Housing also needs to be encouraged, as this activity besides being labour intensive spurs investment over a wide area of the economy, through its linkage effects.

Hindustan Aluminium

Mr. G.D. Birla, Chairman, Hindustan Aluminium Corporation Ltd has struck a note of cautious optimism on the company's prospects for the current year. Presiding over the annual general meeting, the chairman stated that the company's production during the first quarter of the current year was of the order of 23,400 tonnes as against 18,500 tonnes in the corresponding period of the previous year. Mr Birla, is however, hopeful of fulfil-

ling the production target of one lakh tonnes fixed for 1977 but unfortunately the UP State Electricity Board had recently imposed a 35 per cent cut in the power supply in the plant. As a result, the daily aluminium output had come down from 265 tonnes to 230 tonnes and the aluminium production was now running at the rate of 75,000 tonnes per annum. He however, hoped that after the monsoon, it might be possible to persuade UPSEB to restore the power cut. The management is confident of achieving improved results during the current year depending partly on the restoration of power cut and partly on the labour situation. The chairman, however ruled out the possibility of an interim dividend. But in regard to the question of bonus issue, he assured the shareholders that it would be sympathetically considered at the appropriate time. The company is trying to have its captive power unit. Negotiations are in progress with government but nothing concrete had emerged so far.

Modi Spinning

A Rs 9.50 crore modernisation and renovation scheme has been launched by the Modi Spinning and Weaving Mills Co. Ltd. To be completed over a period of four years, the scheme envisages the replacement of all machinery in the mills which is over two decades old. The company expects to boost exports from its current level of three per cent to 10 per cent of its total turnover after the modernisation is completed. The company has approached the IDBI for a soft loan for partly financing the programme. A foreign exchange expenditure of about Rs 1 crore is involved in the purchase of electronic winders

and other sophisticated equipment.

Meanwhile the company's expansion and diversification programme is making rapid progress. Steps have been taken to set up an export-oriented Rs 5.70-crore plant at Rai Bareli for the manufacture of machine-made carpets. A readymade garments unit has started functioning which is to be expanded substantially when a new company is formed to take over this rapidly growing business. The company has recently concluded a tie-up arrangement with a leading fashion house in Paris, Tedlepidus, and this tie-up is expected to yield a business in readymade garments of the order of \$ 1 million a year.

Modi Industries

Modi Industries Ltd has come out of the red. Its operations during the year ended October 31, 1976 has resulted in a surplus of Rs 42.94 lakhs, in striking contrast to a loss of Rs 70.74 lakhs in the preceding year. After providing Rs 71.81 lakhs for depreciation, and Rs 1.05 lakhs to investment allowance reserve, the net loss for 1975-76 amounted to Rs 29.92 lakhs. The main reason for this loss is low sale price realisation of the products due to the adverse economic conditions in the country and low production in such of its units as sugar, acetylene gas, spirits, paints and varnish and carbon dioxide gas.

The crisis and the unprecedented setback which mini steel plants faced during the last year continued in 1975-76 also. This was mainly due to poor demand for steel coupled with low sales realisation and high cost of production. The company's present production line is in low carbon region,

which is uneconomical and since special and alloy steel has ready markets with attractive profits, the company has entered into a technical collaboration with Messrs DAIDO Steel Co. Ltd of Japan. The collaboration agreement has been approved by the government.

The performance of the vanaspati unit during the year was satisfactory. The company has taken up the expansion and modernisation programme of the sugar unit at a cost of Rs 4.56 crores envisaging an increase in the crushing capacity of the unit by 50 per cent. The overall working results of all other units, however, remained satisfactory.

The directors have recommended payment of dividend on preference shares for 1974-75, they have however, skipped the dividend on equity and preference share for 1975-76.

Eagle-Tansi Joint Venture

Eagle flask and Tamil Nadu Small Industries Corporation (Tansi) have jointly set up a vacuum flask plant at Guindy Industrial Estate near Madras. The agreement to set up the plant was signed on March 2, 1977 and the plant was inaugurated on April 13 i.e. within a record period of six weeks.

Eagle has supplied Tansi with the latest technology for vacuum flask manufacture, including the drawings and designs for the furnaces. Tansi will manufacture 6,000 double-walled glass shells per day. These will be further processed by Eagle into refills before being used in the manufacture of vacuum flasks.

As a result of the Eagle-Tansi joint venture, Tansi's scientific glassware plant, lying dormant for 2½ years, will now be manufacturing goods

worth about Rs 50 lakhs per year. Initially, the production of the Eagle-Tansi plant will go to meet the demand for Eagle flasks in the south and thereafter a part of its production will be exported.

Eagle will shortly be diversifying into the manufacture of lead crystal glass, for the first time in the country. The expertise of Prof. Riedel (of Austria) will be available for this project. Eagle will produce its premium-priced crystalware primarily for export. In view of the high prices that crystalware of this kind command, the foreign exchange earnings are likely to be considerable.

Indian Hydraulic Industries

Indian Hydraulic Industries was started in 1968 with the production of plastic injection moulding machines with a meagre capital of Rs 6,000. Today it has emerged as a pioneer in the manufacture of several sophisticated items, the latest among them being ground support equipment of various types.

The company has steadily broadened its range of manufacture to include items such as hydraulic presses of various capacities as also broaching machines and pressure die-casting machines. The company has taken up further the manufacture of items such as hi-lift commissary service vans as a part of its diversification programmes. The firm has got ambitious plans for future development. It is already working on the manufacture of other ground support equipment, such as, cargo loaders, passenger steps, motorised toilet carts, water carts, etc. for use at airports. The power steering equipment on which

the company is working at the moment is likely to improve the performance of heavy vehicles plying on the road.

The company's plastic extrusion machines have found ready markets in such countries as the UK, Saudi Arabia, Africa and middle east.

The company has also several spectacular achievements to its credit. Its R & D division has developed a 100 per cent indigenous horizontal plastic moulding machine with a capacity of 2000 grammes. It has also developed a totally indigenous multi-station rotary type injection moulding machine and it was awarded a cash prize and a silver plaque by the government of India for import substitution.

Gujarat Alkali

Gujarat Alkali and Chemicals has decided to issue 17 lakh equity shares as rights shares to the existing shareholders at par in the ratio of two new shares for every five shares held. The issue is subject to the consent of the Controller of Capital Issues.

Punjab & Sind Bank

In continuation of the Punjab & Sind Bank Ltd.'s policy of providing banking facilities at educational centres in the capital, a new extension counter of the bank manned by women was opened in New Delhi at Guru Harkishan Public School in Vasant Vihar. The new extension counter, was inaugurated by Dr Inderjit Singh, chairman of the bank.

The bank will be shortly opening its extension counters in the university campus and at the SGTB Khalsa (Evening) College at Dev Nagar. A couple of such extension counters are already functioning

in two educational centres in the capital.

Meanwhile the bank has opened its 424th branch at Mayapuri industrial area in New Delhi. This will be the 32nd branch of the bank in the capital.

News and Notes

Our country has re-emerged as an important exporter of indigo, thanks largely to the pioneering efforts made by Idachem Industries Private Ltd. a small scale unit in Bombay.

India shipped indigo worth Rs 3.70 crores in 1976-77. Of this, Idachem accounted for Rs 3.25 crores. Idachem started its production only in March 1976. Within a year, it raised its production from one tonne to 22 tonnes per month.

The company intends to raise the production further to 50 tonnes per month—all for export. The export target for the current year is fixed at Rs 7 crores.

The board of directors of Larsen and Toubro Limited has accepted, with regret, the reirement of Mr H. Holck-Larsen as Chief Executive of the company with effect from April 1, 1977. At the unanimous request of the members of the board of directors of the company, Mr Holck-Larsen has agreed to continue serving as chairman of the board. Co-founder of L&T in 1938, Mr Holck-Larsen has played a leading role in the growth of the company to its present eminent position.

Taking over the post of chief executive from Mr Holck-Larsen is Mr N.M. Desai, vice chairman and managing director of L&T since 1969. Mr Desai, 53, has been associated with the company since its incorporation in

1946. He has been designated president and chief executive of the company by the board of directors with effect from April 1, 1977.

The output of Tata commercial vehicles manufactured by the Tata Engineering and Locomotive Company during the period January-March 1977 was 6,949 units as compared to 7,287 units produced during the corresponding period last year. The total output for the financial year 1976-77 was 26, 106 units as compared to 26,008 units produced during 1975-76.

New Issues

Wimco is offering 19,60,000 equity shares of Rs 10 each at a premium of Rs 3.25 per share to the Indian nationals residing in India for subscription. The subscription list opens on April 27 and will close on May 7 or earlier but not before April 30. Besides the public issue, the company is offering 90,000 equity shares of Rs 10 each at a premium of Rs 3.25 to its employees, directors, their friends and associates. Further 80,000 shares are offered at a premium Rs 3.20 per share to General Insurance Corporation of India (GIC) and its subsidiaries, Bank of India, and Union Bank of India which if not taken up by them in pursuance of their right of option to convert a part of their loan into the equity capital of the company will also be offered to the public, at a premium of Rs 3.25 per share.

The company has embarked upon an ambitious programme of modernisation, expansion and diversification involving a total outlay of over Rs 20 crore in the next few years. After the allotment of the shares the foreign shareholding

will be reduced to less than 40 per cent of the issued and subscribed share capital. The board of directors are of the opinion that, subject to unforeseen circumstances, the company will make sufficient profits to pay a reasonable dividend on the equity share capital as increased by the present issue.

K.G. Khosla Compressors Ltd. is offering 903,500 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list opens on April 25, and will close on May 5 or earlier but not before April 28. The company has paid an interim dividend of 7.5 per cent to the existing shareholders and the new shareholders will also be entitled to the balance dividend on the paid up value of their shares, thus getting a return on their investment from the very beginning. The company has launched upon an expansion and diversification scheme that will cost Rs 2.32 crores. The company expects to finance this project through the present issue of Rs 90.35 lakhs, bank borrowings of Rs 25 lakhs and cash accruals from the working of the company of Rs 116.65 lakhs.

K.G. Khosla Compressors are the pioneers and now leading manufacturers of air compressors in India. The company started as a trading house in engineering equipment in 1945 and entered the field of manufacture, setting up the first air compressor factory in 1957. The company entered into collaboration with the renowned French firm, Crepelle & Co for the manufacture of horizontal balanced opposed design air compressors.

The range of machines pro-

duced by the company is varied. One can see components of compressors from one horse power to 1,000 horse power machines which can deliver small capacity and large capacity compressed air at pressures varying from 30 p.s.i. to 450 p.s.i. The variety of machines produced is really impressive. The strength of the company also lies in its capacity to make mother machines to manufacture compressors. Large quantities of aircooled compressors are made for service stations, small industries, portable diesel compressors utilised for road construction, bridge building and other public works, quarrying, and mining, etc. Heavy duty industrial compressors, for industry, are also made in large series. Their products have already got a

market in the west Asia, south east Asia, Hungary, and Canada, etc.

On November 15, 1976 the company converted itself into a public limited company in an effort to enlarge its capital base to take care of its expansion and diversification programme. The company has also entered into a collaboration with Demag Spiros of France for the manufacture of specialised very high pressure compressors suitable for upto 450 kg/cm² (600 lbs per square inch) working pressures. Such high pressure compressors are being manufactured by the company in India for the first time. The company is also diversifying into the manufacture of rock drills and air legs with technical know-how from Demag Druckluft of West Germany.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for		
		Current year	Previous year	
Higher Dividend				
Victoria Mill	Dec. 31, 1976	20.0	18.0	
Industrial Investment Trust	Dec. 31, 1976	11.5	11.0	
Hindustan Ferodo	Dec. 31, 1976	25.0	18.0	
Highland Produce	Dec. 31, 1976	25.0	12.0	
Same Dividend				
Shri Dinesh Mills	Dec. 31, 1976	12.0	12.0	
Polyolefins Industries	Dec. 31, 1976	16.0*	16.0	
NOCIL	Dec. 31, 1976	12.0**	12.0	
Empire Industries	Dec. 31, 1976	10.0	10.0	
National Machinery Manufacturers	Dec. 31, 1976	Nil	Nil	
S.S. Duncan	Dec. 31, 1976	16.0	16.0	

*Besides a one-for-two bonus issue. **On the enlarged capital.

Buoyant agriculture is a key to prosperity.

Business and industry will respond to the challenge of economic resurgence.

The following is the text of the speech by Dr. Bharat Ram, Chairman of Coromandel Fertilisers Ltd., at the 15th Annual General Meeting held on April 19, 1977.



Dr. Bharat Ram
Chairman, Coromandel Fertilisers Ltd.

Ladies and Gentlemen:

I have great pleasure in welcoming you to this 15th Annual General Meeting of the Company. You already have in your hands the printed annual report of the Company containing the Directors' Report and the audited accounts for the year 1976. You will observe that the results fairly and adequately reflect the sustained good performance maintained by the Company over the years. The disposable profits for the year 1976 are lower compared to the previous year, chiefly due to the fact that the Company has entered the tax-paying stage.

Before I proceed further, I would like to mention briefly that we have witnessed a new mood among the people. The people have elected a new party to power and they have high hopes that the Government will translate the hopes of millions into reality. Our people were regarded as steeped in tradition, yet to be educated in the processes of Government, probably unable to appreciate the democratic impulses that mark a nation's maturity. This myth has been exploded. It has demonstrated to the whole world that people, the vast majority of them poor, deprived, with little education, have an unerring instinct for the democratic process and have shown that democratic roots are deeply ingrained in our national psyche. We have a new Government, consisting of able men, who have spent many years in public service, who command our respect and importantly have claims on our whole-hearted cooperation in the tasks of nation-building. It is too early to anticipate the new economic policy that will be given us by our Government but whatever the details prove to be, the emphasis will be, one hopes, clearly on the primacy of agriculture and growth of agro-based industry. It will

be a charter for providing opportunities for employment. In a country as vast as ours, where the teeming millions eke their humble living in the fields, extracting from a capricious Nature, often an unresponsive land, a precarious existence, our major interest will continue to be in the field of agriculture and related fields. A buoyant agriculture alone can release more purchasing power in the hands of the poor and help create more employment for our millions. We have known the nature and extent of poverty in our land; how I wish we could rediscover that we have an even graver problem, running like a cancer in our system, the spectre of unemployment, with the evils it brings in its wake—degradation, loss of hope, breaking up of will. The only solution, as I see it, is to help increase production, to stabilise prices and to provide opportunities for gainful employment. Increased productivity is a virtue—this is true in agriculture and industry too.

If we accept the logic of the situation we cannot be neutral; we must be emotionally involved and accept the strict discipline it enjoins and a code of conduct on the part of business and trade which will be informed by public interest, tempered by discipline and born of the conviction that we have a responsible role to play as an integral part of the entire economic process in increasing economic activity. I have no doubt Government who are charged with this enormous task of economic resurgence are aware of the need to devise fiscal policies which will end this period of sluggish investment activity and release the springs of growth. They will find business and industry will respond.

I must get back to more immediate indicators in our Company's life. Production has improved due to the steps we had taken in revamping the plant. We could have achieved even better production but for some of the unfortunate equipment problems that plant has had to contend with. The phosphoric acid unit has not matched our expectations. We have referred to this in the Directors' Report. The phosphoric acid plant as we see it today is capable of yielding 325 tonnes per stream day though we had planned to extract 400 tonnes per stream day from it. We are aware of the limitations imposed by the age of the plant. We have recently had one of the world's most experienced and renowned experts in phosphoric acid manufacture to visit us and discuss the problem and some marginal increase in production rate appears feasible.

In earlier years, I have shared with you our nagging anxiety regarding the

power situation as it affects us in Andhra Pradesh. Adequate power, uninterrupted power supply, is of the utmost importance to a chemical process industry such as ours. Frequent interruptions can inflict considerable damage and subject the equipment to severe strain. I regret, again this year, we have had an unsatisfactory power supply. From December 1976, through the months of the first quarter of the year, we have been subjected to, severe power restrictions. We are all concerned about this and have sought the help of all authorities. During the period January through March, we have lost substantial Nitrogen production. We have brought the seriousness of the situation to the notice of our sponsoring Ministry in Government and others concerned with energy. We have requested them to recognise the fact that the fertiliser unit, by virtue of its important place in the economy, should be exempted from power restrictions. We hope the authorities will respond to our constant pleading on this score. This action alone can help us produce more fertiliser and thus augment food production. In this context, I am pleased to inform you that we have received permission from Government to set up a captive standby power unit with a capacity of 5 MW. We have taken all preliminary steps with regard to the specifications planning and have been in consultation with vendors of equipment. We are straining hard to see that all clearances are obtained and there is smooth and quick implementation in this area.

Sales too have shown a marked improvement despite a difficult market situation and easy availability of product. You must take note of the fact that our most important marketing area is Andhra Pradesh. 1976-77 was a year of surprises. With prices revised downwards, and a monsoon that arrived, though a bit late, it was hoped that consumption of P_2O_5 would pick up. But we had our share of difficulties—a late monsoon was followed by breaches in the Godavari anicut and three cyclones. The result was, it affected our sales in kharif and less acreage was available in rabi. Despite this, due to aggressive selling, in a situation of easy availability, in fact a surplus of P_2O_5 , we have sold well. But this has meant truly aggressive marketing effort.

We have kept in mind new projects that should be undertaken by the Company. We have received permission from the Government of India for the manufacture of aluminium fluoride to be recovered from the effluents of the phosphoric acid plant. Implementation is, however, pending due to the question of process technology

to be employed. We are in touch with Government and we hope we will soon have a clearer picture and be able to move forward the implementation of this project. The project for recovery of argon gas and ammonia has also been approved by Government. Foreign Exchange releases have been assured.

The Coromandel Lecture this year was delivered by an eminent scientist, Dr. Sterling Wortman, President of the International Agricultural Development Service, New York. His subject 'Accelerating Agricultural Development' was timely and important and he paid a glowing tribute to our scientists and the innovation in agricultural strategies which they have evolved over the years. We share his views and express our admiration for the work accomplished and being done by our agricultural research scientists. The Borlaug Award this year was given to Dr. Ch. Krishnamoorthy, a distinguished soil scientist for his outstanding contribution to agriculture.

When we met last year, you had approved the appointment of Mr. R. V. K. M. Suryarau as the Deputy Managing Director. Over the years your promoter companies have given us fully and wisely of their technical experience and guidance and we have drawn on them in good measure for counsel. They sent us some of their best and most competent men. The Company has now achieved maturity. The process of Indianisation is now complete; for, a few months from now, Mr. G. H. Nichols, Jr. will be returning to his parent Company in the United States, on completion of his term of assignment with us. The Board of Directors have placed before you our proposal to appoint Mr. R. V. K. M. Suryarau as Managing Director. Mr. Suryarau is indeed most eminently qualified to take up the stewardship of the Company. We wish Mr. Suryarau all success.

I would like to add my tribute to the work of Mr. Nichols who has been with us since November 1973. He endeared himself to all; we would like to express our appreciation for his dedicated service in guiding the Company. I would also like to refer to the fine support all employees have given at the Plant and at the corporate headquarters. We owe them a debt of gratitude and I would like to thank them all for their cooperation.



Note: This does not purport to be a record of the proceedings of the Annual General Meeting

FICCI on development approach to a prosperous society

RECORDS AND STATISTICS

The three-day fiftieth annual session of the Federation of Indian Chambers of Commerce and Industry will be inaugurated by the prime minister on April 23. Unlike on previous occasions, in this golden jubilee year, the Federation will not adopt any resolution but discuss generally how in the next ten years the nation's economic effort can be directed towards promoting a prosperous society through larger employment, greater production, higher consumption and better marketing.

A theme paper prepared for the discussions recommends that a compound growth rate of six per cent per year should be attempted in the next ten-year period. This is regarded as a realistic possibility. If this rate of development is pursued, a tremendous quantitative and qualitative change is expected to take place in the economy and the society.

On the basis of the projected growth rate, the economy will be able to generate a GNP of Rs 128,372 crores, giving an average per capita income of Rs 1,820. About 31.5 per cent of the GNP will be shared by the lowest 42 per cent of the population. This should enable the country to usher in the second phase of progress which would take it nearer to the European standard of living by the end of the century.

The chapter on "The Development Alternatives" from the theme paper is reproduced below:

WHILE THE economy has progressed the basic problem of providing a minimum standard of living to all people has been resolved only partly. This is the greatest shortcoming of the development strategy that has been followed so far. The problem essentially breaks down into two related parts:

— A large section of people do not enjoy a minimum standard of living primarily because they are unemployed or employed in occupations which do not generate adequate income. That is to say, the net output from employment—whether hired for wages or

self-employed—is less than what is required for the minimum standard of living.

—Secondly even if such type of employment is created the additional output must consist of mass consumption goods.

The first charge on the resources of the country should therefore be the provision of employment in sectors which produce primarily mass consumption goods like food-grains, cloth, edible oils etc and social amenities. This will presume a certain minimum growth. However, it should certainly be possible for the economy to achieve a growth

rate far beyond that which is required to eliminate poverty in the sense usually understood and subsequently indicated. The composition of this additional production would be very different. As income increases, there is greater consumption of manufactured goods. Therefore, as growth rate goes every point beyond the minimum growth that is required the development of industry will have to be on an accelerated scale.

The development of agriculture and industry cannot take place in isolation. It has to be supported by development of physical infrastructure like power, transport and communications, etc and financial infrastructure like banking, capital market and so on.

Minimum Level

The required minimum level of development will be conditioned by the rate of growth of population as well. Possibly, for another five years population growth will be around 1.8 per cent in the subsequent quinquennium come down to 1.5 per cent. Overall, in the 10 years, 1976-86, the average growth rate will be 1.6 per cent per annum compound rate. On this basis population in the next 10 years will rise to 705 million. The problem is how the poorer sections of society can be provided a minimum standard of living and what additional development can be secured over and above this minimum to benefit all sections.

On the basis of '42 per cent

poverty' hypothesis, about 256 million people did not enjoy the minimum standard of living in 1975-76. These people accounted for less than 22 per cent of the total private consumption. As a first step, if the benefits of development are largely directed to this section of population their per capita annual expenditure will have to rise from the current Rs 473 to at least Rs 750. The latter is the weighted average of the cost of minimum standard of living in rural and urban sectors (Table I).

Cost of Living

The requirements of consumption in the urban sector are higher than in the rural sector because of the higher cost of living in cities and towns. Broadly, it would be found that the cost of living in urban centres is about 50 per cent higher than in rural areas and is mainly due to the larger expenditure on non-food items like housing, transport, etc.

Of the total increase of 96 million in the total population by 1985-86, a large section will remain poor if no specific action is taken to increase their income. Their total number will rise to about 300 million in the next 10 years.

Now, if development is so

TABLE I
Cost of Minimum Standard of Living
(Rs. per capita per year)

Rural	646
Urban	969
Average	750

designed as to increase the standard of living of this section of society, a minimum growth rate will have to be engineered to ensure that their per capita consumption rises from Rs 473 to Rs 750 per annum. However, development of any sector will have considerable fallout effects which will benefit other people also. Nevertheless the task of improving the living standard of the poorer sections of society will be easier if the kind of development that is undertaken is such as to generate employment and simultaneously lead to production of mass consumption goods.

With this strategy it should be possible to divert a substantial part of the benefit of development to the poorer sections. If broadly about a half of the increase in private consumption accrues to the lowest 42 per cent of the population (whose share today is 22 per cent), the increase in total private consumption expenditure will be about Rs 20,600 crores. On this basis, the GNP growth in the next 10 years will have to be 3.2 per cent per year compound rate. Or broadly a threshold growth level of four cent per year will have to be aimed at.

Threshold Growth

It should, however, be possible to achieve more than the four per cent threshold level growth which is the minimum necessary to eradicate abject poverty. As the growth rate increases the proportion of agricultural production in GNP will decline and that of industrial production increase. This would influence the distribution of income. Considering the resource position a six per cent growth per annum should be possible. The per capita consumption with the

two growth rates, viz, the threshold level of four per cent and the attainable level of six per cent, is shown in Table II.

If the GNP growth rate is four per cent, which is the minimum required, the per capita consumption of the lowest 42 per cent population which will now be more than the minimum will increase by 80 per cent and of the rest of the population by 19 per cent. With a six per cent growth rate the per capita consumption of the lowest 42 per cent of the population will rise by 116 per cent and that of others by 32 per cent. These kinds of differential growths in consumption arise from the fact that there would be larger employment and greater production of mass consumption goods.

Pattern of Development

It may look as if the growth rates postulated above are not significantly different from those either achieved earlier or anticipated in the five-year Plans. Even so it is found that the poorer sections can be provided with a national minimum desirable standard of living. The emphasis in the analysis here is not so much on the rate of growth as on the pattern of development. The major contribution to production and employment will be by the agricultural

TABLE II
Per Capita: Consumption
(Rs per annum)

	GNP Growth rates		
	Current	4%	6%
Lowest 42 % population	473	853	1020
Others	1230	1464	1629

sector. This will improve a substantial re-allocation of national resources which would accelerate development of agriculture, mainly through provision of larger irrigation facilities.

Accent on Agriculture

Currently of the total investment 19 per cent is in agriculture; in our analysis it is anticipated to be about 28 per cent, if the GNP growth is four per cent per year. What is also important is the emphasis on irrigation. As against the five per cent of the total investment in irrigation now, it is suggested that about 18.5 per cent of the total investment will have to be made in irrigation, if the desired employment generation and agricultural production have to come forth. It is in this respect that the strategy outlined in this paper differs from the official development plans.

The different overall growth rates do not imply that all sectors of the economy—agriculture, industry and services—will have to grow at those respective rates. Basically, as the growth rate goes up from the minimum four per cent to the feasible six per cent, the growth of industry and services will have to be relatively higher. This follows the changes in the pattern of consumption as incomes improve. In other words, the additional output produced, if the overall growth rate is four per cent, will contain a larger component of agricultural goods. If the overall growth rate is six per cent, the additional output produced will contain a larger component of industrial goods and services.

The relative growth rate of different sectors given the overall growth rates, can be estimated on the basis of the

expenditure pattern and the technical relations between different sectors. For the two alternative GNP growth rates postulated above the rates of growth for different sectors would be as under (Table III).

TABLE III
Sectoral Growth Rates
(per cent)

	Overall growth rates	
	4%	6%
Agriculture	3.6	4.0
Industry	4.5	8.0
Services	4.5	7.0

How high a growth rate is feasible would depend basically upon the investment requirements and the savings possibilities. The gap between investment and savings, if reasonable, can be made up from private foreign investment and official foreign assistance. To the extent that the investment-savings gap remain uncovered the economy will be exposed to inflationary pressures.

Sectoral Programmes

The investment requirements are governed by the capital intensity of projects in different sectors and the respective growth rates. It is generally found that development of agriculture is less capital intensive than that of industry, and of industry less than that of infrastructure. From the investment undertaken in the three sectors in the past four Plans (including Plan Holiday) it is seen that the investment required to generate one rupee worth of income in different sectors is broadly of the order indicated in Table IV.

With a four per cent GNP growth rate which depends predominantly on agriculture with low capital intensity the re-

quirements of investment will be relatively less compared to the six per cent GNP growth. That is to say, as the GNP growth rate increases the investment requirements step up more than proportionately. The total investment required to achieve a steady GNP growth in the next 10 years, would go up from Rs 110,471 crores for the four per cent to Rs 180,477 crores for six per cent (Table V).

Level of Investment

The major question is what level of investment can be financed without causing inflation. In 1975-76, net domestic savings were 13.9 per cent of GNP (corresponding to 14.5 per cent of national income), 1.5 per cent less than the rate of investment. The balance was made good primarily from foreign aid, private foreign

investment being almost insignificant.

Whether savings are the only constraint on investment will also depend on the extent to which the development will disturb the balance of trade position. Naturally, as GNP growth is pushed up import requirements will be larger and the composition of the imports will also be different. One can reasonably assume that with the proposed development of agriculture, imports of foodgrains, which in 1975-76 constituted 27 per cent of imports, will no longer be necessary. No doubt, export possibilities will also increase. But with the step up in domestic consumption it may be difficult to maintain, let alone enlarge, exports of items like sugar, steel, etc. However, taking into account the likely trends in exports and the possibilities of import substitution it can be estimated that there would be a balance of trade surplus of the order of Rs 886 crores with a four per cent GNP growth. The surplus will go down to Rs 472 crores with the six per cent growth.

Dual Benefit

If we succeed in developing tourism in a big way not only in attracting foreign tourists but also by providing facilities to our own nationals to travel within the country, we can expect a dual benefit: greater employment and larger foreign exchange earnings. Taking into account all the invisible earnings and debt repayments the balance of payments position should not pose any problem, even with the six per cent growth. The role of foreign aid and private foreign investment, in any case, would be primarily to supplement domestic savings.

Savings do rise with an

increase in income. But it has been envisaged that the additional income would be largely consumed, having regard to the high propensity to consume of the newly employed. As such, a significant push to savings may be somewhat difficult.

It needs to be mentioned that savings generation is not coterminous with additional taxation. This mistaken identity has possibly been the single major factor which has eroded savings potential of the economy. For example, in the past 25 years, the tax ratio (i.e., the ratio of taxation to national income) rose from 6.6 per cent to 16.5 per cent; but the savings of government as a ratio of national income rose from one per cent to about

three per cent. The saving habit of government is not conspicuous. It is necessary to stimulate savings among those sectors which are inclined to save. Today the vast bulk of savings originate in the household sector and the corporate sector—public and private. Both these sectors can be induced to save more through appropriate fiscal incentives. The reduction in the personal rates of direct taxation had a telling effect. The same approach has to be extended to corporate sector also. More than that the fiscal incentives would be more effective if they are linked to savings itself. For example, if saving, in whatever form is exempt from tax altogether, there would be a powerful impact on savings formation

TABLE IV
Capital Intensity of Sectoral Programmes

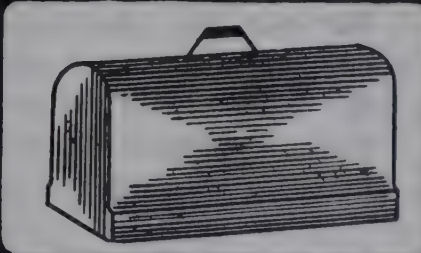
	Capital/Income Ratio
Agriculture	2.7
Industry	3.3
Services	4.8

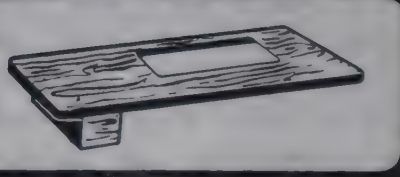
Table V
Investment Requirements

	Overall GNP growth rate	
	4%	6%
Total investment in the 10 years (Rs. crores)	110,471	180,477
Investment as % of GNP in 1985-86	12.5	18.5

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which would finance a larger investment.

Also it is not as if investment will be somehow undertaken if the requisite resources are available. Investment has to be commercially viable. This aspect has, sometimes, been overlooked and as such, even when resources were not short, investment did not take place. In the past two years, for example investment effort slackened mainly because new investment was not competitive. The increase in the prices of capital goods, the higher rate of interest and rigid price controls, acted as a drag on capital formation. The environment for investment has to be conducive. For this purpose, one of the basic requirements is that the cost of capital projects is brought down. To the extent possible the excise duty on capital goods and the customs duty on imported machinery should be drastically reduced keeping in view the necessary protection that is required for domestic industries.

Rate of Investment

In any case, the rate of growth to be achieved in the next ten years will be linked with the rate of investment that is undertaken and the savings generation that is feasible, unless the gap between the two is financed from foreign resources. If savings do not match investment effort the economy will be exposed to inflationary pressures.

The combinations of savings and net foreign resources that will be required to sustain different growth rates are shown in Table VI.

What growth rate is feasible depends upon the effectiveness of policies for stimulating savings and investment. The

four per cent growth is feasible even without any improvement in the rate of savings, allowing for the repayment of foreign debts. But to push up the growth rate to six per cent per year would require some effort in savings generation and for this purpose an appropriate institutional arrangement has to be evolved. It is most important, however, that substantial economies are undertaken in current government expenditures. It is assumed that such expenditure which today amounts to nine per cent of the GNP will be reduced to 7.5 per cent by 1985-86.

Savings Generation

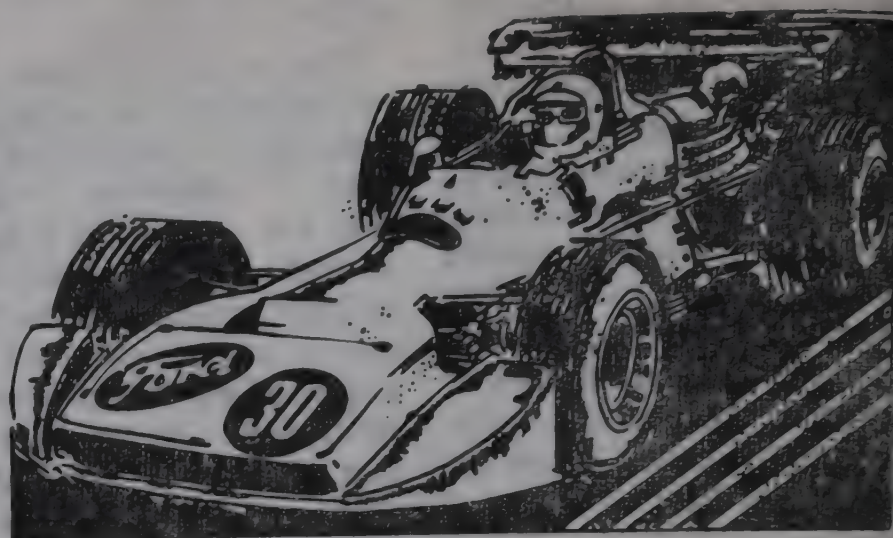
The generation and use of savings is partly a matter of the development of financial infrastructure. No doubt, institutions like the stock exchanges banks, term-lending institutions, etc are already well established. The growth of these institutions has been quite significant in keeping with the development needs. But there are also lags which principally visible in the capital market and which have made it difficult for industry to secure long-term funds.

Since 1960 the growth of

TABLE VI

Savings & External Resources

	Growth rates	
	4%	6%
External resources as percentage of GNP		
— .5	13.5	19.0
Nil	12.5	18.5
0.5	12.0	18.0
1	11.5	17.5
1.5	11.0	17.0



SPECTACULAR GRAND PRIX VICTORIES FOR GOODYEAR AT BOMBAY AND MADRAS

Run-away winners of thirteen prizes in the second Grand Prix Bombay Circuit and twenty-five winners in the Madras Race. David Pieris, the Sri Lanka Speedking, won the triple crown with his Formula Ford, fitted with Goodyear tyres, winning the Grand Prix Meets at Sri Lanka, Bombay and Madras. Goodyear is the choice of champions: Six first prizes and six second prizes were won on Goodyear tyres at Bombay. While at Madras, racers on Goodyear tyres won twelve out of seventeen events and thirteen second prizes.

For the past four years Goodyear has topped the world racing circuits. Jackie Stewart, thrice world champion and the 27-time Grand Prix winner, has this to say "Tyres are the car's only contact with the road and, therefore, you cannot afford to take chances. In high speed racing you want the best tyres for your car. And Goodyear is the best tyre".

WINNERS GO

GOODYEAR

banking has been rapid. The rate of deposit expansion in the five years 1970-71 through 1975-76, was 18.9 per cent and of branch expansion 12 per cent. Even so in large rural areas banking facilities are conspicuously absent.

Taking banking facilities to the rural areas involves coordination of different banking systems like the commercial banks, the cooperative banks and the newly created regional rural banks (RRBs). The extent to which each category of banks should explore the rural areas will depend on the capacity of these banks to provide the necessary facilities. The cooperative banks have, no doubt, been effective in certain areas but have not measured up to expectations generally.

Role of RRBs

Commercial banks and their subsidiaries, the RRBs, can supplement the cooperative banking system wherever it is weak and establish branches where the cooperative banks do not exist. On a rough estimate it would seem that about 150 to 180 RRBs at district levels can be established in the next 2-3 years and a large net work of branches built over the next 10 years. If we assume that in the ultimate stage one rural bank sets up about 200 branches, then by 1985-86 the RRBs would have 36,000 branches in rural areas catering to the production and consumption needs of the rural sector.

The development of the RRBs need not affect the growth of commercial banking sector. The deposits of scheduled commercial banks have been increasing and by 1985 would read Rs 35,000 crores or Rs 42,000 crores if the

GNP growth rate is four per cent and six per cent respectively. They would be in a position to provide credits to extent of about 3/4th of deposits mobilised. While much of this credit will be used for working capital it will have to be considered whether the commercial banks should not extend medium term credit on a larger scale to finance machinery purchased against usance bills.

Basic Weakness

One of the basic weaknesses in the financial structure today is the capital market. It has remained confined, as far as the market for industrial securities is concerned, to urban centres more particularly metropolitan areas. The incapacity of the capital market to generate adequate funds induced government to set up term lending institutions like the IFC, ICICI and latter the IDBI which now acts as the coordinating agency. Even if these institutions provide long term loans, without a viable market for equities, the high rate of growth of industry will not be considered. It is necessary to see how equities can be made acceptable and attractive to the rural public. The establishment of investment trusts by private parties, on the same lines as the Unit Trust of India, could help channel semi urban and rural savings into industrial capital.

The five-year Plans give only a broad outline of the development to be undertaken. There is no financial planning, however, which ensures that projects which have been cleared, find the necessary resources when they come at the implementation stage. Industrial licensing which had become a means of merely eliminating non-priority projects should be

given a new orientation and made into an effective instrument of ensuring that the requisite financial and material resources required are made available for quick implementation.

While the rate of growth is important in itself, it is equally necessary that the pattern of growth is such that it generates productive employment as to ensure a minimum standard of living to all sections of society. It was mentioned earlier that, if income generation is not appropriate or adequate nearly 300 million people will not be free from abject poverty by 1985-86. Broadly, a family unit consisting of four persons will have to earn Rs 3,412 a year. This income may be earned by one or more members of the family. The assumed average income does not make a distinction between urban and rural areas, though this distinction is often important.

Increased Earnings

It can be reasonably assumed that when some workers are out from their present employments or activities, those who remain in such employments or activities will be able to earn more. In other words, the number of workers that have to be provided with fresh employment will have to be such that the family units in existing employments or activities will earn Rs 3,412 per year (or per family). Since the present earnings of this section of the population is Rs 1,892, per year per family, it would follow that 33 million workers will have to be provided fresh employment so that the family unit will be able to earn Rs 3,412 per year.

Apart from this, there would also be an addition to the

labour force in the other 58 per cent population which will have to get productive employment. The additional labour force in this section of population will be about 13.5 million. If employment is provided to this labour force the earnings per family unit in this section of population will naturally exceed Rs 3,412.

Employment generation is the most appropriate method of bringing about an improvement in the standard of living of poorer sections of society. At the same time production of mass consumption goods needs to be undertaken. These two problems can be tackled simultaneously if production and employment take place precisely in those sectors which produce mass consumption goods. In that case, the standard of living of the poorer sections will automatically increase without calling for any redistributive mechanism.

It is obvious that the bulk of mass consumption goods will be agricultural commodities like foodgrains, cotton, oilseeds, etc. Therefore, in the next 10 years economic programmes have to accord utmost importance to agricultural growth. What is more, the development of agriculture has to be such that large productive employment is created.

Major Factors

Employment generation in agriculture is very positively linked with three major factors:

(1) Irrigation; (2) Use of fertiliser; (3) Use of high-yielding varieties of seeds.

It is generally found that primary mechanisation, i.e. use of tractors as far as farm employment is concerned, is more or less, neutral though it would certainly provide employment in factories. But

the use of harvesters does tend to reduce employment opportunities and should not be encouraged, except in areas where shortage of labour has emerged.

The employment potential of irrigation is high and should be the mainstay of the employment strategy. This is so for two reasons:

(1) the implementation of irrigation programme will create large job opportunities;

(2) with the increase in cropped area farm employment will rise;

Employment Potential

Considering the irrigation programme which has been subsequently indicated and the use of fertilisers and high yielding varieties, the additional productive employment that can be generated in the agricultural sector would be as shown in Table VII.

TABLE VII
Employment Potential of Agriculture†

Agricultural growth	Additional employment in agriculture by 1985-86 (Million)
3.6 per cent	22.0
4.0 per cent	21.5

The agricultural sector by itself would be in a position to provide substantial productive employment as also the additional mass consumption goods.

The direct employment potential of industry is smaller than that of agriculture. Industrial production (organised sector) more than trebled in the past 25 years; employment

increased by only about a half. The total employment in the organised sector (public and private) is less than six million.

It is generally found that employment potential of small scale industries is larger than that of the large scale industries, per rupee of investment. But this consideration alone cannot be relevant in determining the size of units. There are other techno-economic factors which have far greater importance. But when these other factors are not relevant employment generation will be speeded up with the encouragement of small scale units.

What is of even greater relevance is that the fiscal policy does not specifically encourage greater use of labour. The same is true of the labour laws. In fact, most of the fiscal concessions are related to capital use and as such tend to induce capital intensive methods of production. Employment would be considerably stimulated if for example, the wage bill is given weighted deduction in the computation of corporate tax liability.

Related Aspect

Another related aspect is that labour being relatively abundant and wages being low by international standards, there is an inherent advantage in exports of labour intensive goods. These goods for the most part, will be consumer goods rather than capital goods.

In any case, the employment potential of industry is likely to be limited though it can be increased beyond what has been realised in the past. The development programmes envisaged earlier will, taking into account the measures to stimulate employment, provide

additional employment in industry ranging from 5 million to 10.5 million (Table VIII).

TABLE VIII
Employment in Industry

Growth of industry	Additional employment in service sector by 1985-86*
4.5 per cent	5.00
8 per cent	10.5

The third employment avenue is the service sector. The main employment spinning activity in this group is construction. Apart from this, there are other activities like transport and communications, electricity generation, banking and commerce, etc which would create productive job opportunities. The labour capital ratios in this sector are more or less constant and, from past experience, employment generation can be estimated for different growth rates which have been projected earlier (Table IX).

Thus, the total additional employment that would be created in the economy in the next 10 years for different GNP growth rates would be 41.6 million and 55.6 million for the four per cent and six per cent growth rates**. On the

TABLE IX
Employment in Tertiary Sector

Growth in service sector	Additional employment in service sector by 1985-86
4.5 per cent	10.0
7 per cent	17.4

**Includes 4.6 and 6.18 million in trade and commerce.

*Includes small-scale industry also.

other hand the minimum required employment would be 46.5 million. The pattern of employment will vary with the growth rates. The proportion of additional employment in agriculture would be higher when the GNP growth rate is smaller.

TABLE X
Additional Employment Potential & GNP

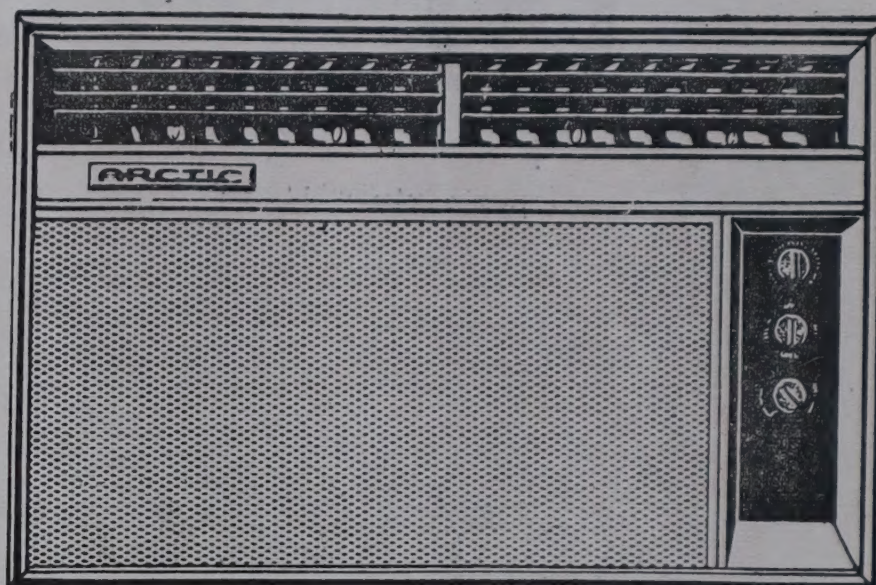
GNP growth rate	Percentage of additional employment in	
	Agriculture	Others
4%	52.8	47.2
6%	43.2	56.8

With the four per cent growth rate, employment generation will more or less match with the requirements of additional productive jobs. When the growth rate is six per cent employment generation, with the pattern of development envisaged, will be higher than labour availability. Of course, it is possible that with larger employment generation the participation rate may also rise. Nevertheless, when the GNP is pushed up to six per cent it would be feasible and necessary to divert labour from agriculture to other sectors where labour productivity is higher.

It would be reasonable to conclude that poverty is undoubtedly eradicable in the next 10 years if development is geared towards generation of productive job opportunities mainly in agriculture and principally through irrigation. The pattern of growth will also ensure that the goods produced will be such as would find ready demand from those who have been provided with additional income.

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